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NEWS SUMMARY

GENERAL

Zia may create Islamic state

President Zia ul-Haq of Pakistan wants to replace Western-style democracy with an Islamic republic in which not everyone would have the right to vote, he told an Urdu newspaper.

Only practising Muslims could be nominated as election candidates and voters would have to meet minimum standards.

Meanwhile, the number of politicians and political activists arrested since Tuesday reached 372, according to an official count.

Woman shot

Woman aged 61 was shot dead in her flat in Paddington, west London, by two men who forced their way in, in the small hours. Her husband, aged 63, was hurt.

N-power report

Kemeny Committee investigating the Three Mile Island nuclear power station accident may recommend a moratorium on building new nuclear plants in the U.S. Back Page

Rhodesia clash

Mozambique has shot down a Zimbabwe Rhodesia helicopter and fought off air and ground attacks in the past three days, Maputo radio said. Rhodesia talks, Page 2

Iran battle

Heavy shooting took place in Mahabad as Kurdish guerrillas fought Iranian revolutionary guards. Page 2

Khama returned

Sir Seretse Khama won a further four year as president of Botswana in his fourth consecutive election victory.

Bretons jailed

France's State Security Court sentenced 18 Brittany separatists to jail terms ranging from two years suspended to 15 years for a campaign of bombing public institutions.

Chess victory

England won the first world under-16 team chess championship, in Denmark, against contestants from 15 other nations. The final match was against Sweden.

Peking protest

About 300 people gathered at Democracy Wall, Peking, in protest against the conviction of human rights activist Wei Jingsheng, jailed for 15 years for counter-revolutionary activities.

Labour tussle

Tussle between Mr. James Callaghan, former Prime Minister, and the Labour Left over future control of the party will resume this week. Page 4

Premier 'hurt'

Portuguese Prime Minister Maria de Lourdes Pintasilgo, a militant Roman Catholic, says she was deeply hurt when at Mass in Lisbon her priest said: "Deliver us from the evil forces that govern us."

Briefly . . .

The Pope flew to Pompeii, where he gave thanks for the success of his visit to Ireland and the U.S.

Scandinavian Airlines System grounded three DC9s because of cracks in the tail sections.

Vauxhall Chevette driven by Pentti Airikkala of Finland won the Ulster International Rally.

BUSINESS

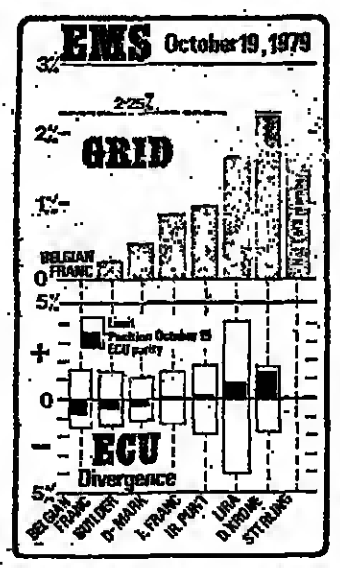
Challenge on cuts ahead for Thatcher

● THE GOVERNMENT this week intensifies its campaign to explain and defend expenditure cuts due to be published in 10 days in a White Paper. Back Page

● DENMARK's krone remained the strongest currency in the European Monetary System last week, while the Belgian franc was the weakest, touching its lowest permitted level against the krone. The Dutch guilder was the second weakest EMS currency, with the central bank continuing to relieve seasonal money market shortages by an offer of further special advances.

Outside the EMS, forward dollars weakened following the rise in U.S. money supply, which resulted in higher Euro-dollar interest rates. The Japanese yen was under pressure, with the Bank of Japan selling over $1bn to support its currency.

Belgian Treasury certificate rates increased and Paris call money was steady at 11⅞ per cent after touching 11¾ per cent a week earlier. Frankfurt interbank rates were very firm, encouraging speculation that the Bundesbank may soon announce rises in its discount and lombard rates.



The chart shows the two constraints on exchange rates within the European Monetary System. The "grid" of cross rates from which no currency (except the lire) may move more than 2¼ per cent and the varying degree by which each currency may diverge from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

● CONCERN over mounting retail price rises has depressed the FT index of consumer confidence to minus 33 per cent in October, against minus 22 per cent in September. Page 34

● AVERAGE weekly food bill is 15 per cent higher than a year ago at £23.28 (£21.76) according to Ministry of Agriculture survey. Page 5

● COMPANIES BILL, designed mainly to implement EEC directives, will receive its second reading in the Commons today. Page 22

● SANCTION for Government sale of factories operated by the English Industrial Estates Corporation will be contained in an Industry Bill due to be published tomorrow. Back Page

● INLAND REVENUE may consider a fundamental change in the application of tax allowances for leased assets. Back Page

● NATIONAL COAL Board engineers have flown to China for talks on development of two large mines at Datong. Page 5

● BAYER, the West German chemical and fibres group, is planning its first big sales of new acrylic fibres for knitwear on the UK market. Page 16

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Times should be back by the end of next month

BY CHRISTIAN TYLER, LABOUR EDITOR

THE TIMES and the Sunday Times should be back on the streets before the end of November, almost a year to the day since they were suspended by their owners in the longest shutdown Fleet Street can remember.

The end of an 18-month struggle between Times Newspapers and the print unions came at 1.40 pm yesterday, with the unions claiming a victory and senior company executives uncertain whether the £30m shutdown had been worth it.

Concessions were made on both sides in the last desperate 26 hours of non-stop negotiations as the final 4 pm deadline set by Lord Thomson drew near.

Even then, Times negotiators were unable to reach agreement with the National Graphical Association on NGA manning levels in the machine room where the presses are housed.

That issue will be put to an adjudication panel chaired by Mr. Jim Mortimer of the Advisory, Conciliation and Arbitration Service, probably after publication resumes. Both sides have agreed to be bound by the findings.

Lord Thomson of Fleet, who had flown from Canada for the last vital days, said last night his feelings were of "great relief and great satisfaction that we are going back into republication in the very near future."

Asked if the shutdown had been worth it, he said: "If it has secured the future of The Times and Sunday Times time-wise, money-wise, frustration-wise and staff-wise it will have been worth it.

"We have come a long way back together — I emphasise together."

Other executives said the company has secured continuity of production, a new disputes procedure, lower manning and new shift patterns as well as co-operation on new technology. Mr. Dugal Nisbet-Smith, general manager, said the company had signed "one of the best new technology agreements in the country."

But the price of agreement has been high. Pay rates will in many cases be 40 per cent or more than they were at the time of suspension for shorter hours, and the manning cuts are less than the company wanted.

Above all, the company's repeated demand that print-workers share operation of computer-linked keyboards — for a long time the sticking point — had to be dropped several months ago in the face of stiff NGA resistance.

That issue will be the subject of joint discussions over the next 12 months, but with no guarantee that the NGA will cede control at the end of the period.

Union leaders said yesterday that most of what the company had won could have been negotiated 11 months ago "in the normal way."

Mr. Les Dixon, NGA president—whose was loudly cheered by his members all the way to his waiting car—said: "Of course we are accepting new technology. We have accepted it everywhere else."

He added: "I'm pleased its over, and I'm looking forward to seeing The Times back on the streets. I think it's a good deal. But more important, it's a deal endorsed by meetings of all our boys."

Yesterday's events in Gray's Inn Road, London, were the culmination of a week's almost continuous negotiations, meet-

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Times feature Page 14

UK submits own ideas for fair deal in EEC

BY GILES MERRITT IN BRUSSELS

IN AN attempt to break the Common Market's deadlocked budget dispute, the British Government has set out suggestions for ways to reduce its disproportionately large share of the EEC budget.

In marked contrast to its policy of refusing to be drawn into discussion of corrective financial mechanisms in advance of the European Council that is due to settle the issue in Dublin at the end of next month, the UK Government has submitted to the Brussels Commission a document outlining preferences.

To date, British Ministers have limited their tactics in the wrangle over the UK's unfair budgetary burden to statements concerning just the scale of the problem.

In his most recent intervention Sir Geoffrey Howe, Chancellor of the Exchequer, last week told EEC finance ministers in Luxembourg that Britain's expected £1bn deficit on the Community budget was likely to reach £1.5bn by 1983.

Sir Geoffrey at that time, however, restricted his comment on ways in which the problem could be solved to repeating his call for a "broad balance" between UK contribution and receipts from the budget.

British officials have since confirmed that this in effect means a demand that the UK's 1980 budget deficit of £1bn should be cut to almost zero.

However, in a document entitled "Non-paper" — a technical device for proposing ideas without necessarily becoming committed to them as policy — the British Government has stated that it favours "a simple direct rule setting a limit on the UK's net contribution so that it is in broad balance." The paper adds: "this would be an ideal solution."

The document also suggests that another method it would consider is the setting up of new mechanisms that would boost the UK's receipts per head from the community budget by bringing them into line with average per capita receipts in the rest of the Common Market.

A third option would be the removal of restrictions that limit the effectiveness of the present financial mechanism for making refunds to deficit EEC countries.

But the British Government adds that such a device would need to be accompanied by a measure of increased spending of community funds inside the UK.

In its document to the European Commission—which has itself prepared a confidential paper on ways of cutting the UK deficit—the British Government states that it would be "ready to consider any mechanism or combination of mechanisms" that meet its three basic criteria.

These are that broad balance should be established between expenditure and receipts, that the solution should apply immediately to correct the position in 1980, and that it should last until the re-structuring of the Community budget and the further reorientation of the UK's trade pattern towards the community that would reduce net contributions.

Metric board faces early end

BY ELINOR GOODMAN

MINISTERS are considering closing the Metrication Board next summer—at least a year earlier than envisaged by the Labour Government. This would mean that the Board would not exist in 1981, which it had tentatively designated as "M Year."

No final decision has been taken, and the Board members—some of whom are already infuriated by the way the Conservative Government has approached metrication, have not been told their future is under review. But the signs are that, when their contracts expire in April, they will be asked to renew them for only a few months.

Unless industry manages to persuade the Government to change its mind and go for compulsory cut-off dates for the use of imperial measures, the activities of the Board will be run down to virtually nothing after the end of June. Then the last order compelling companies to change to metric sizes—for tea—comes into effect.

The closure would save, at current rates of spending, about £800,000 a year. The move is not being discussed in economic terms, but in the context of the Government decision not to press ahead with compulsory dates for ending the use of imperial measures in sectors not covered by existing orders. It is being argued that this would leave the Metrication Board with nothing to do.

The decision not to impose any more metric sizes by law, publicly confirmed by Mrs. Sally Oppenheim, the Consumer Affairs Minister, last month, alarmed both the Confederation of British Industry and the Metrication Board.

Both organisations have made it clear they think some deadlines must be put on the use of imperial measures if Britain is ever to go properly metric.

Britain is running four years behind the deadline which the Metrication Board established 10 years ago for the "substantial completion" of the change-over to metric measures. Under a revised time-table, 1981 would have been the year when the last orders laying down cut-off dates for imperial measures came into effect.

Throughout its 10-year existence, the Board has criticised successive governments for their refusal to risk unpopularity by doing anything to hasten the death of familiar metric sizes. Rarely, though, have relations between the Board and government been as bad as they are today.

The London Chamber of Commerce and Industry yesterday added its support to the metrication programme and favours Government intervention to establish a new timetable for the changeover.

Barclays to publish debt provisions

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

BARCLAYS has become the first clearing bank to state that it will publish information about its general bad debt provisions in its next accounts.

This information has been sought by analysts for many years, as it is considered vital for judging both profit performance and the extent of shareholders' funds.

The Barclays decision was revealed to the Financial Times by Mr. Deryk Vander Weyer, the group vice-chairman who is also the Barclays finance and planning director. He said: "It is our present intention to disclose the general provision separately"—adding that he personally saw no reason why Barclays should not also disclose the movements in the general provision.

Mr. Vander Weyer said Barclays would have preferred to have published this information last year—when the big four clearers moved only to reveal the aggregate levels for both general and specific bad debt provisions.

The resulting disclosures met considerable criticism from analysts because of the belief that the general and specific provisions are different and therefore could not be aggregated. Some bank auditors and clearing bankers also admit that the general provisions are not really provisions at all—but reserves.

The Barclays decision will put pressure for a similar move on the other big clearing banks. Until now at least the big four banks have sought to co-ordinate changes in their accounting methods through a joint committee which is still sitting.

Saudis split by oil issues

BY RICHARD JOHNS

SAUDI ARABIA'S leadership is divided over whether to follow other oil producers in raising oil prices and over what level of output the country should sustain, Sheikh Ahmed Zaki Yamani, Minister of Oil, said yesterday.

While differences within the ruling hierarchy and its senior advisers have long been known, it has never been openly confirmed by a senior Saudi, of Sheikh Yamani's stature. At the same time he acknowledged pressures to close the gap in prices between the Kingdom's main crude variety, Arabian Light, at $18 a barrel and Iranian Light at $23.50.

At a news conference in Atlanta, Georgia, on Saturday the Saudi Oil Minister talked of a "Young Turk Mafia," that was seeking a price of more than $18. He also said that its members find "a very strong argument in studies showing that the country only needs to produce at a rate of 5m barrels a day to satisfy its financial needs.

Sheikh Yamani said that a rise in the basic price level set by OPEC was inevitable following the escalation during the past two weeks. He also denied that the Kingdom was using its ability to set output as a lever for the creation of a Palestinian state. But he added that a peace settlement in the Middle East was vital if steady oil supplies from the region to the U.S. were to be assured.

The Saudi Government will not take a decision on production levels until year-end. But recent indications of its thinking have been that the Kingdom will continue to produce 9.5m b/d during the first quarter of 1980. It wants to ensure a modest supply surplus and the right market situation for a reunification some way of the OPEC pricing structure between the present Saudi base level and the higher one set by the other producers.

Iran, meanwhile, has called for an extraordinary OPEC ministerial conference to review oil prices in advance of the next ordinary one scheduled for December 17, Mr. Ali Akbar Moinfar, Minister of Oil, said yesterday in Tehran.

Such a meeting can be convened at the request of a single member as long as the majority of the 13 OPEC states agree to hold one.

Continued on Back Page

Dayan quits over West Bank talks

BY L. DANIEL IN TEL AVIV

MR. MOSHE DAYAN, Israeli Foreign Minister, resigned yesterday because of disagreement over the Government's approach to the negotiations on a form of autonomy for the Palestinian inhabitants of the West Bank and the Gaza Strip.

He tendered his resignation at the weekly Cabinet meeting, having informed Mr. Menachem Begin, the Israeli Prime Minister, of his intention last week.

Mr. Dayan had originally made clear his dissatisfaction that the hard-line Dr. Yosef Burg, Minister of the Interior, rather than he was given responsibility for the negotiations with Egypt under U.S. auspices. Since the talks began in early summer he has made little attempt to disguise his disagreement with the intransigent stance taken by the Government.

Formerly Minister of Defence in the previous Labour Government, Mr. Dayan was elected to the present Knesset on its ticket in 1977 but promptly joined the Likud-led coalition Government. He regards the autonomy negotiations, from which he has been excluded, as the most important foreign policy issue.

He has been at odds with the Likud, particularly over the question of seizure of private and public land and the Government's handling of the Gush Emunim zealots' attempts to establish new settlements.

Awkward

Although his views were well known, his resignation could hardly have come at a more awkward time for the Government facing mounting criticism over the Likud's policy towards the West Bank, a widening rift in Israel's relations with the U.S. and the as yet unsolved problem of the price to be paid for Egyptian oil supplies. There is also mounting discontent over the failure to curb an inflation rate now running at about 100 per cent.

The first hint of what was in the wind came last Thursday when Mr. Dayan publicly proposed the unilateral dismantling of the Israeli Military Government on the West Bank and its replacement with a civilian regime.

Following news of his resignation, it was disclosed that Mr. Dayan had three long talks with Mr. Begin several weeks ago in which he expressed his opposition to the line being adopted by the Government in the autonomy talks. Mr. Dayan described them yesterday as nothing more than a "show."

On October 2, Mr. Dayan summarised his stand in a letter to the Premier in which he indicated his intention to resign at a later date. He reiterated his opposition to the manner in which the autonomy talks are being conducted and the position taken by Israel in them.

He said: "I do not see any point in continuing in my post in the present circumstances. The problem of our relations with the Arab population of the territories—not with the Palestine Liberation Organisation—has throughout the years seemed to me the main problem facing us, a problem which can be settled. In any case today there is no issue more urgent either internally or in our relations with other states."

"All our foreign contacts revolve around this issue and my objections are no secret. The same goes for Israeli policy on the ground (a clear reference to the Gush Emunim settlements). I voted against several decisions on land seizure. I am sorry that my fears that the autonomy talks will not progress in this way has proved correct."

Mr. Dayan has stressed privately that his resignation had nothing to do with his health. He recently had part of his intestine removed but has been declared fit by his doctor. In accordance with the Israeli constitution Mr. Dayan will remain in office for another 48 hours after which Premier Begin will become acting Foreign Minister until the Cabinet chooses another who must be approved by the Knesset.

Our Foreign Staff adds: In Washington Mr. Robert Strauss, the U.S. special envoy with responsibility for Egyptian-Israeli negotiations admitted that it might not be possible to complete an agreement by next May but expressed optimism that sufficient progress might be made to draw Jordan and other Arab states into the peace negotiations.

King Hussein of Jordan held talks with President Hafez al Assad of Syria at the weekend. He is expected to visit Iraq and other Arab countries in an effort to obtain consensus on the conditions under which they would recognise Israeli's right to exist.

The Dayan resignation Page 2

OVERSEAS NEWS

Bonn hopes for restrained Hua line on Soviet Union

BY ROGER BOYES IN BONN

CHAIRMAN Hua Guofeng, the Chinese leader, starts talks in Bonn today with Chancellor Helmut Schmidt which are expected to cover super-power relations, Indo-China and bilateral trade.

There is some apprehension in Bonn that the Chinese leader will use the visit to make blatantly anti-Soviet comments at a time when relations between West Germany and Moscow are in a delicate state.

The Brezhnev proposal to withdraw Soviet troops from East Germany and the North Atlantic Treaty Organisation's meeting in December on the modernisation of nuclear weapons in Europe will be among the subjects discussed by the Chinese and German leaders. But West German officials have stressed that the talks will be on a "very general level."

Some Social Democrat politicians, including Herr Herbert Webner, the party's parliamentary floor-leader, have warned this weekend that Bonn should not become too closely identified with an anti-Soviet line or take sides in the dispute between Peking and Moscow.

West German officials are expecting Chairman Hua to make some critical reference to "hegemonists" — the phrase Peking normally uses to describe the Soviet Union — but are hoping that he will not go much beyond this. At a recent news conference in Peking, Chairman Hua appeared to acknowledge that West Germany was obliged to have a special relationship with the Soviet Union.

Trade will clearly be of importance in the three days of talks. A six-year economic co-operation agreement is to be signed, setting out the legal framework for future trade expansion. West Germany, which exported DM 2bn (£530m) worth of goods to China last year, ranks as Peking's third largest trading partner after Japan and Hong Kong (and slightly ahead of the U.S.).

Herr Wolff von Amerongen, president of the West German Chamber of Commerce Association, who will also hold talks with Chairman Hua, said at the weekend that the trip would certainly give a boost to trade. German companies negotiating deals with China are not however expecting dramatic breakthroughs during the visit although Schloemann Siemag, head of a West German consortium hoping to build a $14bn integrated steel works, expects some progress early next year. Chairman Hua is to visit Thyssen's special steels factory in Krefeld during his tour.

Two other agreements are to be signed during the visit. One will provide for cultural exchanges and the other is a protocol for the establishment of a German consulate in Shanghai and a Chinese consulate in Hamburg.

Chancellor Schmidt's line on Indo-China is expected to be similar to that of President Valery Giscard d'Estaing of France, although Germany has far less interest in the region than France. West German officials say that the Chancellor will urge compassion for the starving in Cambodia and reaffirm the need for "the independence of all countries in Asia." This could well lead to at least a difference of emphasis between the leaders, especially if Chairman Hua uses the occasion, as he did in France last week, to condemn "Vietnamese expansionism."

Rhodesia talks enter seventh week

By Michael Holman

THE RHODESIA conference at Lancaster House moves into its seventh week today with a plenary meeting to discuss Britain's paper on pre-independence arrangements including a ceasefire, the armed forces, and elections.

Both the Patriotic Front guerrilla alliance and the Salisbury delegation led by Bishop Abel Muzorewa, have accepted Britain's draft constitution for an independent Zimbabwe. However, the wide differences between the two sides over its implementation will present Lord Carrington, the Foreign Secretary, with the conference's biggest hurdle.

Outline British proposals for the transition, discussed last week, envisage the dissolution of the Rhodesian Parliament and its replacement by a British Governor, assisted by military, police and civilian advisers. Initial reaction from both sides has been hostile. The front has demanded a power-sharing executive council and United Nations supervision of the ceasefire and elections. The Muzorewa Government has refused to surrender office.

Mr. Richard Luce, permanent under-secretary at the Foreign Office, will be seeking reactions to the British proposals on pre-independence arrangements from African Presidents as he continues a six-day tour of the "front-line" states and Nigeria.

Mr. Luce, who has already visited Zambia and Botswana, was due to meet President Samora Machel in the Mozambique capital of Maputo today before flying to Tanzania for talks with the chairman of the front-line group, President Julius Nyerere.

The co-operation of these states, hosts to the Patriotic Front's guerrilla armies, is essential if the Lancaster House talks are to reach all-party agreement on the transition arrangements. Zambia and Mozambique have a particularly important role as it is from these states that the Front's guerrillas operate.

THE DAYAN RESIGNATION

Demonstration of disarray

Moshe Dayan: shunted aside

MR MOSHE DAYAN's decision to resign as Israel's Foreign Minister underlines the depth of the divisions within the country over the Palestinian issue. It is also the most dramatic demonstration so far of the disarray within the Begin Government.

Mr. Dayan agreed to leave the Labour Party and join the government of Mr. Menahem Begin because he saw it as a sort of national mission. He has resigned because he was no longer being given any role in fulfilling that mission.

As a key architect of the peace treaty with Egypt, Mr. Dayan had expected to play a major role in the negotiations on the Palestinian issue. But instead he was shunted aside because his vision of future Israeli-Palestinian relations differed from that of the Cabinet majority.

Mr. Begin's decision to appoint Mr. Yosef Burg, the Interior Minister and leader of the National Religious Party, as head of the Palestinian autonomy negotiating team was clear evidence that the Right-wing of the Cabinet was dominant, and that Israel would adopt a hard line in the talks.

The disappearance of Mr. Dayan from the Cabinet table will strengthen the hand of the extreme Right within the Government. It will also further isolate Mr. Ezer Weizman, the Defence Minister, who has frequently joined Mr. Dayan in resisting Government policies which they considered inimical to the peace process.

There are those who believe that the resignation will hasten new elections. But it is just as likely that Mr. Menahem Begin will manage to avoid this by making the Cabinet reshuffle which has been threatened for months.

The fact that Mr. Dayan resigned because he felt the Government policy on Palestinian autonomy was wrong, and too hard-line, will strengthen the Palestinians who have steadfastly refused to join in the autonomy talks. They have long argued that the Israeli proposal amounted to little more than an attempt to perpetuate the occupation by changing its name.

They will now be able to point to the resignation as justification for their position.

The decision will shake Israeli society. Despite all the domestic criticism of Mr. Dayan since 1973, he is still regarded as a central figure in Israeli history—a man who has played a major role in shaping both its army and, directly and indirectly, its foreign policy for over 20 years.

The Government is going to find Mr. Dayan a tough critic now that he is out of power. He will be freer than ever to indulge in making new and often startling suggestions about solving the Palestinian issue and advancing the peace process.

Kurds battle to control Mahabad

TEHRAN — Heavy shooting broke out in one sector of Mahabad, in north-west Iran yesterday but Kurdish rebels said their forces, numbering several thousands, were still holding most of the town. The Kurds were reported to have taken over the town on Saturday.

Mahabad was the main stronghold of Kurdish insurgency until it fell to a Government column early last month. But Jamshid Haqgu, the provincial governor, acknowledged last week that his forces no longer fully controlled the town.

According to Kurdish informants in Tehran yesterday mobile patrols of guerrillas were trying to flush out pockets of revolutionary guards. Government forces were firing from inside their barracks to try to harass the rebels.

Rebel reports from the Government side were using helicopter gunships could not be confirmed. They said rockets had been fired from the revolutionary guard baracks, hitting several houses and a school.

All reports from the town appeared to indicate that both sides were intent on holding their positions for the time being. There was no evidence of a guerrilla assault on the main Government bases or of a concentrated Government counter-attack.

There was no reliable casualty toll available for the two days of fighting and even the official Paris news agency described reports from the town as contradictory and unclear.

Meanwhile an Iranian human rights organisation has accused the authorities of torturing suspects, carrying out executions after summary trials and holding 1,500 prisoners in jail.

Poll win ahead for Sir Seretse

GABORONE — President Sir Seretse Khama was heading towards a fourth general election victory in Botswana last night with almost half the results declared.

Sir Seretse's Botswana Democratic Party held 10 seats, gained one and was returned unopposed in two constituencies in the first 14 results announced. There are 32 elected seats in Parliament.

The main opposition party, the Botswana National Front, failed to make any significant headway. It held one of its two seats and the other was still undeclared.

The turnout, which was only 33 per cent at the last election in 1974, climbed to 65 per cent in one of the 14 constituencies declared. Overall average turnout was expected to be about 60 per cent.

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Swiss vote true to past form

By John Wicks in Zurich

EARLY RESULTS in yesterday's Swiss general election show that there will be little change in the make-up of the two Houses of Parliament.

Although final results will not be available until this evening, it appears unlikely that any of the four Coalition parties in the last Government will experience large-scale gains or losses.

In the elections for the National Council, results for the first seven cantons and semi-cantons show a return of the existing party in all but one case, where the Social Democrats lost a seat to the Liberals.

The elections for states councillors, which took place in only 20 of the 26 cantons, show the same general picture, with a Social Democratic gain from the Liberals in one case.

In Canton Zurich, the most populous in the country, the Social Democrats retained one seat, marginally ahead of the Liberal candidate.

Mexico plans 8% real economic growth a year

BY WILLIAM CHISLETT IN MEXICO CITY

THE MEXICAN Government's overall development plan for the period 1980-82, during which the full impact on the economy of the country's rising oil revenue will begin to be felt, envisages the creation of 2.5m new jobs, a real annual economic growth rate of at least 8 per cent, increased public expenditure and more attention to the depressed countryside.

The plan, prepared by the Ministry of Planning and Budgeting, is the Government's main economic policy document, into which plans for different sectors are meant to fit.

The "global" plan, as it is called, has not yet been officially announced. Some modifications are being made, but the main outline is known. It is expected to be released at the end of November.

It is the third such plan in three years. Two previous ones were scrapped after ministerial changes. The industrial and agricultural plans came out earlier this year.

No radical changes in the direction of the mixed Mexican economy are planned. The state will continue to act as the regulator of the economy, but it will step up investment to get rid of the bottlenecks in the transport system, improve the impoverished rural sector and better inadequate social services.

The private sector will be expected to continue to invest the most in industry while the state will carry out the necessary infrastructure work to encourage industry to move to new, decentralised areas.

Even if the private and public sectors between them do manage to create 2.5m new jobs this will barely stop the level of unemployment and underemployment from increasing.

EEC forecast of slower growth

BY GILES MERRITT IN BRUSSELS

A MARKED slowdown in economic growth in the EEC next year, accompanied by a widening of the Community's balance of payments deficit and a sharp rise in overall unemployment is forecast by the European Commission. But consumer prices in the Nine are not expected to increase greatly.

The predictions are given in the Brussels Commission's 1979-1980 annual economic review and say growth in the volume of Gross Domestic Product of member countries will be only "moderate" in 1980.

In the majority of member states it is expected to be about 2.53 per cent, although the average growth rate for the Community as a whole is put at only 2 per cent.

For 1979, growth is expected to reach 3.1 per cent, which is the same as in 1978, but the 1980 projection means that economic growth in the Community will be at its lowest since 1975.

Consumer prices are expected by the Commission to rise by 9 per cent next year, as against its present forecast for 1979 of 8.9 per cent. The Community's current account balance of payments position is expected to deteriorate further, thanks largely to rising oil import costs and should reach a deficit of 5.25bn European Units of Account, which represents a sharp rise from the 1979 level of an expected 3.3bn units.

The slower GDP growth forecast by the Commission also means that the growth in total employment that the EEC achieved this year will not continue. Average unemployment in the Nine is due to reach 6.2 per cent in 1980, in contrast to a probable level of 5.6 per cent this year and only 2.5 per cent in 1973.

Commission officials point out that the projections for next year are slightly less pessimistic than might have been expected, but emphasise that the attainment of the target figures depends on severe fiscal and monetary policies being maintained by member governments in line with the report's own recommendations.

For the first time, the annual review contains detailed analyses of public finance aggregates for member countries, together with projections on money supply and domestic credit.

The report is due to be submitted to Community Finance Ministers when they meet on November 19.

WORLD TRADE NEWS

Canada trade loss threat if Israel embassy moved

BY VICTOR MACKIE IN OTTAWA

MR. ROBERT STANFIELD, Canada's ambassador-at-large, voiced the warning that Canada could lose much trade with Arab countries if the Government moves its Israel embassy from Tel Aviv to Jerusalem.

"I think that all the Arab countries in the Middle East will make it clear to anybody that their attitude towards Canada would be affected by a move of the embassy, and, no doubt, some might translate this into their trade policy," said Mr. Stanfield, on his return at the weekend from a Middle-East fact-finding mission.

It was no secret, he said, that some countries in the Middle East linked economic policies to foreign policies.

Earlier this week in the Canadian Parliament, Mr. Michael Wilson, the Trade Minister, confirmed that Canada had lost C$4.6m in contracts with Arab countries after Prime Minister Joe Clark said last June that he intended to fulfil an election campaign promise and shift the embassy.

Mr. Stanfield told reporters that he had held talks with a Palestine Liberation Organisation representative, but that he does not consider this constitutes official recognition of the PLO. He also met with numerous other Arab leaders during his tour.

Asked if he had found room for compromise with the Arabs, he said only that he would report his findings first to the Prime Minister. It is expected to be made public in early 1980.

"I couldn't honestly say that they were full of enthusiasm at the prospect of the embassy shift, but certainly Canada stands high in the respect of all those countries," Mr. Stanfield said. The Prime Minister's statement had not been regarded by the Arab Governments as "a friendly act."

He said he would not return to the Middle East before completing his report.

MEA to spend $1bn on aircraft

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MIDDLE EAST Airlines of Lebanon is planning to spend up to $1bn (£480m) on 19 new short-to-medium-range airliners to replace its ageing Boeing 707 fleet.

Mr. Asad Nasr chairman of the airline, said in London at the weekend that the intention, subject to Board approval, would be for the airline to buy a mixed fleet of nine three-engined aircraft, either Lockheed TriStars or McDonnell Douglas DC-10s, and 10 twin-engined aircraft, either European A-310 Airbuses or U.S. Boeing 767s.

Mr. Nasr stressed that no decisions on which aircraft to buy had yet been taken. The airline would want to acquire the three-engined aircraft first, preferably for delivery next year, with the twin-engined type following in the early 1980s.

At this stage, the airline had not made up its mind on engines, but it would be happy to use the Rolls-Royce RB-211, both in the TriStars and in the A-310s if those aircraft were bought.

Mr. Nasr said that the airline had no problems over finding the cash for its prospective purchases. "We are oversubscribed," he said, with many UK and overseas banks willing to lend the airline the $1bn required for the deals.

Mr. Nasr also said that during the past summer MEA had made a big recovery from its previously depressed condition in the wake of the civil wars in the Lebanon. Over the past three months it had been obliged to fly over 600 extra flights into and out of Beirut from all points on its network.

● CP AIR of Canada has become the seventh airline to buy the new Boeing 767-200 semi-wide-bodied jet airliner, with an order for four and an option on four more.

The total order will be worth over C$400m, including spares, and is part of a C$1bn expansion plan by the airline that will include new airport and maintenance facilities.

The 767s are due for delivery in 1983, and will be used on Canadian domestic services, gradually replacing DC-8s and Boeing 727.

● General Electric's CF6-80A engines will be used to power CP Air's Boeing 767 twin-engine aircraft, AP-DJ reports from Evandale. CP Air selected GE's CF6-80s because of better fuel burn and lower maintenance costs characteristics.

● The Portuguese airline, Air Portugal (formerly TAP) is seeking $300m in loans to buy Lockheed TriStar jet airliners. About 30 banks have made offers to the airline, and the loan is expected to include a Eurodollar loan and export credit finance.

ECGD has no plans to renew cover for Turkey

By David Tonge

THE BRITISH Export Credit Guarantee Department sees "no immediate prospect" of resuming cover for exports to Turkey.

Some Western countries are providing limited cover as part of their aid to the Turkish economy, but the British view remains that this is one of the worst forms of aid. Though progress has been made towards tidying up the country's debts, up to $2bn arrears on unguaranteed suppliers' credits have still to be tackled. This item, and the present political uncertainty, are among the factors delaying a re-assessment of the country's credit rating.

Turkey stopped normal commercial transfers of foreign exchange in February, 1977, and the ECGD began severely to cut back on cover to Turkey that autumn. Its exposure in Turkey is believed to be £60m. Many of the transactions covered have been re-scheduled in the two rounds of renegotiating guaranteed trade debt agreed within the forum of the Organisation for Economic Co-operation and Development (OECD).

The French and West German export credit schemes were giving restricted cover until mid-1979, according to the ECGD. Last May $245m of the $906m aid pledged to Turkey by members of the OECD was made up of medium-term export credits.

● The World Bank has approved a $210m (£100m) loan to Argentina to help finance construction of a major hydro-electric power project, AP-DJ reports. It is the largest ever approved by the bank to a Latin American country and will cover part of the estimated $3.8bn cost of constructing the Yacyreta dam and power plants on the Parana River, on the border between Argentina and Paraguay.

● The Inter American Development Bank (IDB) granted a loan of $165m to Ecuador for the hydroelectric and irrigation project of Daule Peripa, Reuter reports. The loan is for repayment over 40 years, with a 10-year grace period, and carries annual interest of 1 per cent.

Hua visit 'disappoints' French

PARIS — The absence of any concrete agreement with China following the visit of Chinese Premier Hua Guofeng has disappointed the French business community.

A joint communique issued after a series of meetings with French Government officials stated that the two countries had decided to strengthen their industrial and technical co-operation and to improve trade exchanges.

Both French and Chinese officials emphasised that the main thrust of the visit was political and not economic.

Mr. Yao Wei, Press officer of the Chinese delegation, said at the weekend that the talks were far too general to deal with specific contracts, and that economic and commercial agreements will be handled at a lower level. He did not elaborate.

Although exchanges with China are on the increase this year, France accounted for less than 2 per cent of China's foreign trade in 1978, down from 5 per cent in 1976.

Following a meeting between corporate executives and Chinese officials, the French Employers Association issued a statement noting that adjustments in China's economic and industrial policy will not take place "as quickly as was thought" in December 1978, when the two countries agreed to boost two-way trade to FFr 60bn (£6.6bn) through 1984.

The 1978 agreement included the supply of two French-built nuclear power stations, a project since shelved by the Chinese, as well as "extensive co-operation and exchanges" in agriculture, animal husbandry, energy resources, mining, iron and steel, machinery, aviation and aerospace.

It was followed up, in May this year, by a French credit line of FFr 30bn.

AP-DJ

Finns approve uranium imports

THE 200-member Finnish Parliament has approved by 122 votes to 15 a law permitting the import of uranium from Australia.

This is, for the present, a formality, as both the Finnish companies operating nuclear power plants have long-term contracts for the supply of Canadian uranium and its enrichment in the Soviet Union. However, the vote is interpreted as indirect acceptance by a large majority of the continued use of nuclear power in Finland.

Imatran Voima which owns the two Soviet-built nuclear power plants in Finland, has an agreement with the Soviets on the reprocessing and disposal of nuclear waste that is valid until the end of the century. The TVO power company, which commissioned the two Swedish-built plants, has special on-site storage facilities for spent fuel covering ten years' operation and is currently discussing reprocessing and final disposal problems with British, French and Soviet organisations.

Malaysia sees oil revenue rise

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN treasury has forecast that export revenue from oil will increase by 43 per cent next year so that oil would overtake rubber as the country's biggest export.

However, because of the recessionary trends there will also be lower demand for Malaysia's other major commodities so that overall, the Malaysian export sector, which recorded an impressive growth of 23 per cent this year, is expected to slow down considerably in 1980.

The Treasury's annual economic report forecasts oil revenue to increase from 3.7bn ringgit (£792m) to 5.4bn ringgit in 1980.

The volume of oil exports is expected to increase by 17 per cent to 13m tonnes while the price is projected to go up by 20 per cent.

However, the report expects the price of all the other major commodities—rubber, tin, palm oil and timber—to fall.

Overall, Malaysia's exports are expected to increase by only 7.3 per cent to 22.280bn ringgit.

On the other hand, imports are projected to rise strongly by 22 per cent to 20.9bn ringgit, and, coupled with the higher charges for invisibles, Malaysia's balance of payments on the current account is expected to record a deficit of 2.4bn ringgit. But the economic report adds that foreign capital inflow is also expected to be strong, so that the overall balance of payment would show a surplus of 1.7bn ringgit.

Jourdan in Swiss move

CHARLES Jourdan Holding AG has been set up in Glarus, Switzerland, by Swiss interests to control the Jourdan shoe and leather goods manufacturing and retail group. Management of the Jourdan concern, which formerly made up part of the U.S. Genesco group, has been put in the hands of a Zurich-based company to be known as Charles Jourdan International AG.

Shareholders of the Glarus holding undertaking are the owners of the Loew AG shoe concern and the Birsina AG holding company. The Jourdan group, which has annual sales of some $140m, operates five factories and a chain of 100 owned or franchised shops in 20 countries, mainly in France and the U.S.

SHIPPING REPORT

Backlog of grain helps dry cargo markets

By William Hall

THE NEAR traditional autumn upturn in the dry cargo markets was in full swing last week, with particular attention being focused on the Great Lakes where there is a rush to clear the grain backlog before the season ends in December.

Generally, brokers report that the short-term prospects for bulk carriers look promising despite the threatened world recession.

The Gulf/Continent grain trade is normally a good barometer of the health of the dry cargo markets but rates of $16 for 62,000 tons understate the improvement that has been taking place in other parts of the market, particularly among smaller sized vesels.

Denholm Coates, for instance, report that grain rates from the U.S. Great Lakes to the Continent and the U.S. Gulf to Japan are all about $2 up, and time charter rates, while still varying widely depending on ship size, are buoyant.

Good handy-sized bulk carriers for Transatlantic/Great Lakes round trips are fetching $9,000 a day and larger tonnage has been earning more. Rates as high as $16,000 a day have been reported for Australian/Europe trips.

As far as the grain trades are concerned brokers reckon that the substantial premiums that smaller handy-sized vesels have been obtaining will continue in the short term. But in the raw material section of the market the picture is more mixed.

In the Far East, Galbraith Wrightson report that the market has been rising in response to growing demand for 20,000-30,000 tonners as well as the larger Panamax types.

However, demand for bulk carriers and combination carriers in the 100,000-ton range has fallen off and rates have dipped accordingly. In the Atlantic coal trade 50,000-60,000-ton cargoes are fetching $11

Dutch deficit improves

By Charles Batchelor in Amsterdam

THE NETHERLANDS' foreign trade position improved slightly in the first eight months of 1979, although the country still has a large deficit.

The trade deficit in the first eight months fell to Fl 3.5bn (£814m) from Fl 3.7bn in 1978. Exports totalled Fl 81.9bn in the January-August period compared with Fl 70.7bn in the same months last year. Imports rose to Fl 85.4bn this year compared with Fl 74.4bn in 1978.

In August alone the deficit widened to Fl 1.2bn compared with only Fl 900m the previous August. Exports totalled Fl 10.2bn compared with Fl 8.2bn last year while imports were Fl 11.4bn against Fl 9.1bn.

When trade in oil, oil products, ships and aircraft is excluded from the figures then the deficit this year is the same as in 1978—Fl 300m.

Kenya-Sudan road link

BY JOHN WORRALL IN NAIROBI

THE KENYA and Sudan Governments have signed an agreement in Nairobi for the construction of the long-proposed road link between Lodwar, in Kenya, and Juba, capital of the south Sudan. The road is to be 680 kms long and is to cost about £45m. The Kenya Government is to pay for the Kenya section of 245 kms, and the Sudan for its section of 335 kms.

The EEC has pledged £8m towards the cost. Engineering and economic appraisal of the project has been carried out by Norconsult, a Norwegian company, with funds provided by Norad, the Norwegian development agency. Work on the road is to begin in November.

Kenya's present road link with the Sudan passes through Uganda. The new road will give the southern Sudan direct access to the port of Mombasa.

World Economic Indicators

RETAIL PRICES

					% Change over previous year	Index base year
	Sept. '79	Aug. '79	July '79	Sept. '78		
UK	233.2	230.9	229.1	200.2	+16.5	1974=100
Germany	152.7	152.5	152.8	145.0	+ 5.3	1970=100
	Aug. '79	July '79	June '79	Aug. '78		
Belgium	134.5	133.8	132.7	128.3	+ 4.8	1976=100
Italy	154.8	153.3	151.9	134.0	+15.5	1976=100
France	224.4	221.1	219.2	202.5	+10.8	1970=100
U.S.	222.1	218.9	216.6	197.8	+12.3	1967=100
	July '79	June '79	May '79	July '78		
Holland	125.3	124.9	124.8	120.7	+ 3.7	1975=100

Delay in production from Buchan oilfield

BY RAY DAFTER, ENERGY EDITOR

PRODUCTION from the Buchan oilfield in the North Sea, scheduled to begin last month, could be delayed until the first few months of next year.

Charterhall, a participant in the field's development, said in its annual report yesterday the delay was largely caused by problems with the conversion of a semi-submersible drilling rig at a yard in Stornoway in the Outer Hebrides.

It is thought that British Petroleum, the operator for the field, hopes the modification and installation work will be completed within the next two months.

The field, in block 21/1, north east of Peterhead in Scotland, is one of 12 currently being developed by operators in the North Sea's UK sector. Its production will supplement output from the 12 fields currently on stream, a production level exceeding 1.7m barrels a day.

Oil from Buchan will be produced from the converted drilling rig. During the first four years some 50m barrels of crude oil are expected to be extracted, at an initial average rate of about 50,000 b/d.

Because of the complexity of the reservoir, neither the Government nor the Buchan consortium have made an estimate of the size of recoverable reserves. Within the industry these are thought to be between 50m and 200m barrels.

The partners investing an estimated $300m in the Buchan Field development are: British Petroleum, St. Joe Minerals, CanDel Oil, Nstomas, Gas and Oil Acreage, Lochiel, and Charterhall Finance.

A small part of the field extends into the adjacent block 20/5a held by Texaco, with whom the Buchan partners are now negotiating over possible joint development of the reserves and drilling of a further appraisal well in block 20/5a.

Think Tank head may become Vickers da Costa chairman

BY JOHN MOORE

SIR KENNETH BERRIL, head of the Government's Central Policy Review Staff (the Think Tank), is considering joining the City stockbroking firm of Vickers da Costa as its next chairman.

It is intended that Sir Kenneth, who is 59, should succeed the present chairman Mr. Ralph Vickers, who is near to retirement.

Since Sir Kenneth is not a member of the Stock Exchange any announcement is conditional upon the exchange approving his appointment. But this is expected to be a formality.

A Vickers director said Sir Kenneth had met the staff and added that "if the Stock Exchange approves him as a director then he would likely intimate that he would join us as soon as possible."

Sir Kenneth's connections with Vickers da Costa date back some years. Between 1965 and 1967 he was a director of Investing in Success Investment Trust, which was formed by Vickers in 1959. Sir Kenneth was chairman of General Funds Investment Trust between 1972 and 1973.

Since 1974 Sir Kenneth has headed the Central Policy Review Staff. He is a former head of the government economics service and chief economic adviser to tha Treasury.

Sir Kenneth is not expected to take up any appointment with Vickers until next year.

Atkins hopeful on Ulster progress

By Our Belfast Correspondent

MR. HUMPHREY ATKINS, Northern Ireland Secretary, is expected to tell Parliament shortly after it resumes this week that there may be grounds for bringing tha Ulster parties together for a fresh attempt at agreement on political progress.

In spite of his optimism, major obstacles could still block the way forward. Not the least of these is the growing Protestant disenchantment with the Government's handling of security, which was brought into the open at the week-end conference of the official Unionist Party.

Mr. James Molyneaux, facing his first conference since becoming leader, persuaded delegates to support a loosely phrased motion calling for a policy which would bring Ulster "the same rights and conditions" as enjoyed by the rest of the UK.

This will allow tha official Unionists to continue to press for a strengthening of local government to fill the gap between the virtually powerless district councils and the Secretary of State's office. At tha same time, devolution will be retained as the ultimate aim.

But Mr. Molyneaux acknowledged the mounting pressure for sterner meaures against terrorism. With two part-time members of tha Ulster Defence Regiment murdered in the past week while doing their civilian jobs, delegates were in no mood for soft-pedalling of security.

Mr. Molyneaux sharply criticised Mr. Atkins for dismissing as "discriminatory" a proposal from loyalist councillors that certain parts of Ulster should be given special security treatment.

"If experience shows that a particular area is a troublespot, and that another area is not, why is it wrong to discriminate between them and treat them differently? That is the kind of discrimination that wins wars," Mr. Molyneaux said.

The Rev. Ian Paisley, hardline leader of the Democratic Unionists, told Mr. Atkins on Friday that his party was withdrawing from talks on constitutional matters until the Government adopted a firmer anti-terrorist policy.

Labour power battle resumes

BY PHILIP RAWSTORNE

THE STRUGGLE between Mr. James Callaghan and the Labour Left over future control of the party will be renewed this week.

Labour's Left-dominated national executive is expected on Wednesday to reject Mr. Callaghan's demands for a decisive voice in the inquiry into the party'a structure.

The Labour leader is to ask the NEC, which meets to decide the composition of the crucial inquiry committee, for "strong representation" of the parliamentary party.

He will suggest that the issue should be discussed by a joint meeting of tha NEC and tha Shadow Cabinet.

Mr. Callaghan's demands are likely to be given overwhelming support by a full meeting of Labour MPs due to be held at the Commons tomorrow.

But leading Left-wingers intend to maintain a firm grip on tha inquiry to prevent any reversal of the gains they made at the Brighton conference.

They are likely to insist that the main inquiry committee is composed of five NEC members and fiva trade union leaders with perhaps two or three places for representatives of the Shadow Cabinet and Labour MPs.

Any further enlargement of the committee, they claim, would make it too cumbersome to complete its wide-ranging review by next year's conference.

In an attempt to soften the rebuff to Mr. Callaghan and avoid another bitter row, however, Mr. Norman Atkinson, the party's Left-wing treasurer, will propose that the inquiry should devolve some of its work to special panels.

These would represent the parliamentary party, trade union branches, party agents and other sections of the movement and would draw up reports on their special areas of expertise.

Their reports could ba presented to the party conference together with the inquiry's final recommendations and ensure a fuller debate of the issues.

It offers Mr. Callaghan, at least, a means of bringing some influence to bear on the trade union block votes which will in the end decide the constitutional reforms and future control of the party.

There are now signs that both sides in the struggle recognise that any attempt to secure total victory could seriously disrupt the party.

Mr. Roy Hattersley, the party'a environmental spokesman, said at the weekend that changes in the party constitution were needed—"changes I hope that are more radical and far-reaching than those we debated (at the party conference)."

But whichever side won the argument, it would have to accommodate the minority, he said in Cambridge. "We cannot afford winners and losers. If either side looks for total victory, the Labour Party will at the end be weaker not stronger than when it began."

Mr. Ron Hayward, the party's general secretary, yesterday dismissed any idea that the present divisions in the party would tear it apart.

The issues were much less fundamental than these of nuclear disarmament and public ownership which had divided the movement 20 years ago.

"Nearly everyone is agreed that changes are needed—the only argument is how are these changes to be implemented in a way that ensures a real extension of democracy within the party, not just a transference of power and patronage from one section of the party to another," he said in Redditch.

Call for tighter controls on hospital virus work

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE HEALTH and Safety Commission is calling for tighter controls on hospitals and laboratories which work on dangerous viruses capable of causing epidemic diseases such as smallpox.

The commission has brought out new regulations to give laboratory workers and the public greater protection from viruses.

The proposed regulations follow an official investigation into an outbreak of smallpox in Birmingham last year. The outbreak was traced to a labnrtory which was working on smallpox viruses.

The main points of the proposed regulation are:

- All laboratories to give the Health and Safety Executive 30 days' notice before any work on dangerous viruses and bacteria is begun.
- The executive to inspact laboratories before work on the viruses starts.
- A full list to be drawn up of all the places which work on viruses.

The commission has asked for comments on the draft regulations from all interested parties.

Dangerous Pathogens: Draft Regulations and Draft Guidance Notes; Health and Safety Executive, Baynards House, 2, Chepstow Place, London W2 4TF; 50p.

£8m deal will create 2,000 jobs at Crewe

BETWEEN 2,000 and 3,000 new jobs are to be created in Crewe, Cheshire, because of the £8m deal between Data Recording Instrument, controlled by the National Enterprise Board, and the U.S. Control Data Corporation.

The deal, announced in June, led to the formation of a joint subsidiary company, United Peripherals. It will manufacture computer memory units and printed circuit board assemblies.

The company has reached the stage of developing a 23-acre factory site. The plant will be completed in early 1981. Until then, the company will rent a temporary site.

Data Recording Instrument's factory at Crewe, which employs 450, is expected to employ more than 1,000 by 1981.

Report on car spares released at last

BY DAVID CHURCHILL

THE LAST Price Commission report is due to be published todya after almost six months' delay from an inter-departmental wrangle over its sensitive commercial information.

The report, the commission's longest in its two years of activity, has turned out to be the most controversial. It's main recommendation is that the exclusive supply of car spares through the major car companies' franchised dealers should be abandoned to promote competition.

The report would normally have been published within a few weeks of completion last May. But the Department of Industry, responding to pressure from the trade, first tried to block the report's publication and then insisted on substantial deletions. The department maintained that its information would be too advantageous to overseas car spares' manufacturers.

However, the Department of Trade has resisted the Industry Department's. Publication of the report reflects the perseverance of Mrs. Sally Oppenheim, Minister for Consumer Affairs, and Mr. John Nott, Trade Secretary.

The Department of Trade has agreed to about half the deletions sought by the Industry Department but only those which remove potentially sensitive information. The Department of Trade won its fight to include information in the report about the trade practices of car spares' manufacturers.

The commission's report, for example, concludes that there is no compelling reason why exclusivity of supply of car spares should be maintained outside vehicle warranty. Within warranty, the report suggests that exclusivity should be removed for replacement parts which are identical to those supplied as spares by the car manufacturer.

Recommended prices for such popular items as oil filters and sparking plugs are too high, the report also concludes.

It seems likely that some of the trade practices described in the report may be referred to the new Monopolies and Mergers Commission for closer investigation. The Competition Bill, which will give the MMC its new powers (and abolish the Price Commission) is due to have its second reading in the Commons today.

Managers want larger pay rises

BY JASON CRISP

BRITISH MANAGERS expect much larger salary increases this year than last, according to a survey by the British Institute of Management.

Only one in 20 will accept increases of 8 per cent or less, compared with 26 per cent last year. The most commonly expected increase is 16 per cent. Nearly three-quarters of the managers believed their employers could afford to pay what they deserved.

However, nearly two-thirds believed their salaries adequately reflected their work and responsibility even though they were surveyed before the tax-cutting July budget.

Fully 21 per cent said tax reductions or a shift to indirect taxation was the most important incentive: 16 per cent said more or fairer salaries; 12 per cent better career opportunities; and 11 per cent more authority or freedom to act.

International thinks big

International Stores, the BAT Industries supermarket subsidiary, will open its ninth superstore tomorrow at Peterborough.

The store costing £3m, will have 42,000 sq. ft. of trading space.

International is planning to open a further six superstores over the next 12 months and hopes to have 40 superstores operating by 1984.

Energy-saving budget cut protest

BY JOHN LLOYD

THE ENVIRONMENTAL group Friends of the Earth has protested to the Government over a £500,000 cut from funds for energy conservation.

In a letter to Mr. David Howell, the Energy Secretary, the group accuses the Government of reneging on its election promises to pursue a vigorous policy of energy saving.

To publicise its case the group is to insulate the flat of an elderly London couple to Continental standards.

Dr. Mike Flood, the group's energy consultant, said: "With a rise of 18 per cent in electricity prices this year, the only chance for this couple and thousands like them is to use the heat in their homes more efficiently."

BSC saves by central production

BY ROY HODSON

THE RESULTS of a five-year assessment have convinced the British Steel Corporation that it can save considerably by closing local iron and steelmaking and instead ship suppliea to mills from a small number of central production units.

The facts will he put to the steel unions early next month when two key meetings are held to discuss the corporation's proposed closure of iron and steelmaking at Corby in Nnrthamptonshire and Shotton in North Wales.

Opposition to both closures is strong. The local workforces and the steel unions are claiming that the plants would he less efficient if they became dependent upon supplies of aemi-finished steel transported from furnaces in other parts of the country. Corby makes tubes and Sbotton makes steel sheet.

British Steel is satisfied that the fears are groundless. Senior management will tell the unions that coocentrating steelmaking on a few central "soup kitchens" supplying the many specialist steel finishing mills by road and rail could reduce unit costs to among the lowest in Europe. Nearly £1hn has been spent in the last three years on new iron aod steelmaking at Teesside and at Ravenscraig, Scotland, to produce steel competitively in hulk.

The assessment that has convinced management was made by sending more than 1m tonnes of semi-finished steel hlooms—each about 12 inches in diameter and 20 feet long—across northern England from Teesside to the steel rails plant at Workington, Cumbria.

Since the old Bessemer steel furnaces at Workington were closed in 1974 tbe works bas been supplied from the Teesside steelmaking plant by "merry-go-round" trains. This way of transporting 250,000 tonnes of semi-finished steel a year over a distance of 126 miles is costing £5 a tonne.

But the Workington managers, who each year negotiate a price with Teesside for their small steel supplies, believe they are getting better steel more chaply than they could make on the spot.

Mr. Langton Highton, director nf the Cumhria group, said: "None of us here thinks any more of the possible benefits of local steelmaking. We have established an excellent Teesside-Workington feeder relationship. We get the steel we want when we want it and I don't think we could get a better deal."

The Workington rail works, wbich sells 45 per cent of its outpnt to overseas railways, is one of the few steel units in the British Steel Corporation to have made money during the world steel recession. Until now its performance has been disguised hecause it is part nf the loss-making Sheffield Division. In future British Steel will identify individual workers' perfnrmances in regular profit and loss figures.

The intention is to inaugurate similar "merry-go-round" rail links hetween Shotton and the Ravenscraig iron and steelmaking works, and hetween Corby and the Teesside works. Each link would handle about 1m tonnes of steel a year. British Rail could earn as much as £10m a year in extra revenue.

In spite of the transportation costs, British Steel expects to save hetween £25 a tonne and £40 a tonne nn Shotton and Corby steel products by sending in semi-finished steel.

British Steel is anxious to reach agreement on tbe Corby and Shotton closures and to inaugurate shipments of cheap Ravenscraig and Teeside steel to those works as quickly as possible. The corporation faces the near-impossihle task imposed hy Sir Keith Joseph, Industry Secretary, of moving from losses of £1m-a-day to break-even by April.

At least part of the steel transfer scheme could be placed in jeopardy, however, if the dispute between Clyde dockers and the steel unions about who should man the new £100m Hunterston iron ore terminal drags on. It will he considered today by the Trades Union Congress' finaoce aod general purposes committee.

Hunterston will hring down ore costs by £3 a tonne but until tbe dispute is settled British Steel caonot work up Ravenscraig towards its designed steel output of more than 3m tonnes a year.

Engineers in China for coal talks

BY JOHN LLOYD

A TEAM of engineers from the National Coal Board and mining equipment companies flew to Cbina at the weekend to hold detailed talks with the Chinese Government on the development of two big pits at Datong in the province of Shanxi.

The team, led by Dr. Morgan Barber, managing director of British Mioing Consultants, will also discuss further consultancy and other projects in China.

It is tikely that the Chinese Government will use NCB expertise extensively and that they will buy more mining equipment. Last year, three UK companies received £100m worth of orders for shearers and roof supports.

Visits, by Sir Derek Ezra, chairman of the NCB, Mr. Norman Siddall, deputy chairman and earlier this year, Mr. Eric Varley, then Industry Secretary, have confirmed that the Chinese Government considers UK mining tecbniques would he useful in its coal development programme.

However, talks between the UK and China received a setback over Chinese proposals tbat payment for services aod macbinery might be made in coal, rather tban currency.

The NCB has little interest in huying foreign coal, hut has worked on plans to act as a middleman, and to sell the coal to third countries.

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Laker called for fares hearings

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SIR FREDDIE LAKER, chairmau of Laker Airways, will be one of the principal witnesses for the U.S. Civil Aeronautics Board when public hearings start in Washington today into the board's plan to outlaw the fares-fixing methods of the International Air Transport Association.

The board has long been hostile to the IATA fares conference procedure. More than a year ago it instituted its "Show Cause" order. Under the order, the IATA was required to show why it should not have its anti-trust immunity removed in the U.S.

This caused alarm among international airlines. Removal of anti-trust immunity could not only wreck the IATA's fares-makiog procedures, but also lay airlines open to prosecution in the U.S. for heing a member of the association.

After pressures from foreign governments and airlines, the board has agreed to limit its attack on IATA. The board is now only seeking to remove anti-trust immunity from those IATA members who fly to and from the U.S.

But it has required airlines and governments to submit evidence to it "showing cause" why the hoard should not proceed with its plans. Much of this evidence will he presented at the hearings.

Many airline presidents and chief executives are expected to give evidence in favour of the associatinn and its fares-fixing methods.

As a result of the pressures on the association, it is now possihle for any member-airline to belong to the association's legal, technical, safety and other committees, but to opt out of its fares-fixing methods.

This, the association believes, eliminates the charge that the fares conferences constitute a cartel working against the public interest.

Choice of toys for girls 'stunts scientific talents'

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

BRITAIN'S ABILITY to benefit from women's scientific talents depends on teachers making girls play with Meccano and similar mechanical toys from their first days at infant school, according to a report today from the Equal Opportunities Commission.

"There is an increasing hody of evidence to suggest that lack of early activities involving spatial awareness, and insufficient experience with mechanical toys and puzzles, are important contributory factors in the later under-achlevement of girls in mathematics and science," the EOC explains.

The report "Do You Provide Equal Education Opportunities?"—is inteoded to awaken the education system to forms of sex discrimination still persisting in schools, whether unlawfully or not.

"Boys may he provided with mechanical things because it is thought, often rightly, that these will interest them: the teacher often makes less effort to encourage girls towards an interest in such things or even to respond to the attention given to them by girls," adds the commission.

Sharp rise in colour television imports

BY JOHN LLOYD

IMPORTS OF colour televisions and music centres rose sharply in the first eight months of this year while the number of UK-made products declined, according to the latest British Radio Equipment Manufacturers Association figures.

Highest growth has been seen in the video recorder market, which is entirely served by imports. However, deliveries of UK-made black and white television sets, and of record decks, have improved over 1978.

Total deliveries of colour televisions to the end of August were 1.1m, up from 1m over the same period last year. Imported sets rose from 200,000 to 308,000, while UK-made sets fell hack from 833,000 to 794,000.

However, UK production has been picking up since May and this is expected to continue for the rest of the year, ending in a net gain in numhers of British-made colour sets delivered.

UK manufacturers have consistently produced more black and white sets than last year. Over the first eight months of the year deliveries stood at 410,000, 29 per cent higher than last year.

Sales of small-screen black and white sets have also been consistently up and are running at 35 per cent above last year's levels.

Deliveries of UK-made music centres are down on 1978 though the figure rose in August. Imports are well up, as are total deliveries.

Record players and record decks, the only other piece of consumer electronic equipment made in significant quantities in the UK, are well up overall. The UK-made market share has improved over the first eight months, up from 138,000 to 188,000.

Imports of video recorders have shot up. Over the first eight months of 1979, 116,000 were imported compared with 36,000 in the same period last year.

House sale costs 'cut by 85%'

By Elaine Williams

A COMPUTER SYSTEM which, it is claimed, cuts the cost of selling a house by 85 per cent has been introduced by a company called Computerplace.

This is one of two new ventures in property selling cutting out estate agents' fees.

The company has opened a register in London and prospective house buyers can telephone for details about houses for sale.

Vendors will be charged £3.50 per £1,000 to have their house details registered.

Mr. Imre Lake, the company's managing director hopes to gain 1 per cent of the market during the first year. He fears the British are too conservative and lethargic to embrace ideas any faster than that, even when substantial savings are at stake.

Next week, a shop is to open in London where houses will be sold for a fee of £10 and details supplied to house hnyers for 10p.

The scheme, called Seekers Property, is backed hy Mr. Ken Weetch, Labour MP for Ipswich, who says: "The average cost of a house in London is £23,000, of which more than £500 goes straight into the estate agent's pocket."

Vendors will have to supply a photograph of their property, plus details. Mr. Weetch said that, if successful, the venture was likely to spread throughout the country.

Average family food bill rises by 15%

BY CHRISTOPHER PARKES

THE WEEKLY food bill for the average British family is more than 15 per cent higher than a year ago, a Ministry of Agriculture survey shows.

The average cost of food for a family of four, excluding sweets, alcohol and pet foods, rose to £25.28 in the second quarter of this year compared with £21.96 12 months earlier.

This was 5.5 per cent more than in the previous quarter and 15.1 per cent higher than in the comparable part of 1978.

Part of the rise was caused by higher food prices, with the balance attributable to increased consumption. The food prices index for the quarter was 2.5 per cent higher than in the previous three months and 10.2 per cent up on the second quarter of 1978.

Cheese-eating reached a new record level at 4.1 ounces per person per week compared with 3.67 ounces in the first three months of the year and an average of 3.72 ounces for the whole of last year.

Meat consumption, on the other hand, fell sharply. Shoppers purchased 12 per cent less than in the first part of the year mainly because the usual seasonal falls in beef and pork consumption were not fully offset by a rise in the amount of lamb eaten. Lamb was in short supply and prices unusually high.

Chrysler Alpine brake recall

ABOUT 22,000 Chrysler Alpines built in the UK between August 1978 and April 1979 are heing recalled hy Chrysler UK for dealers to check the routeing and condition of front brake boses.

A company spokesman said: "In a few isolated instances, it is possible where the routeing is incorrect for the front brake boses to foul the road wheels on extreme left or right hand lock."

UK NEWS—LABOUR

Transport union urges body 'o co-ordinate energy policy

BY PHILLIP BASSETT, LABOUR STAFF

THE Transport and General Workers' Union yesterday called for a statutory tripartite body to co-ordinate energy policy and to remove from the issue the "short term political considerations that hamper Govarnment thinking."

In a booklet on energy policy, the union calls for an Energy Planning Authority, composed of Government, trade union and management representatives, along the lines of the abandoned Energy Commission.

The authority, which would be responsible to Porliament, would mean an end to the competition between the gas, electricity and other industries by a co-ordinated energy policy.

The union, which has a big membership in the electricity, gas, nuclear, oil and open cast mining industries, points to the high level of unionisation in the energy sector, and argues that the Government's special parliamentary committee on energy is less able to examina fully energy questions because it has no trade union involvement.

The booklet is sharply critical of Government energy policy. "The Tories are fundamentally altering our energy strategy, in ways which we believe could be barmful to our long-term interests as a nation."

The union says the Government's wisbes to see market forces prevail in the energy sector increases the need for trade unionists to study energy problems and "to use their power to influence the shape of policy."

It examines the range of eoergy sources, deciding that coal must be the cornerstone of a developing energy policy, and if electricity cannot be provided at a reasonable cost for domestic consumers the Government ought to examine ways to help gronps sucb as the elderly to pay their bills.

On gas, the union treads a thin line between noting there is a case for slowing down the expansion of gas salas to conserve supplies while at the same time making it clear that because of the use of gas by domestic consumers gas prices mnst remain "reasonable."

The tentative approach is maintained on nnclear power, where the union advocates a "full and detailed" examination of the options before any decision and in particular a full-scale inquiry before the building of a further fast-breeder reactor.

Mr. Moss Evans, general secretary, said in introdncing the booklet that energy policy might well be one of the most important political considerations of the moment—too important to leave to the experts. "We want a trade union voice in tha energy debate. Experts and politicians are not always right."

Teachers' salaries 'too low'

TEACHERS' SALARIES are too low to attract either experienced specialists from industry or the most able new entrants, the Assistant Masters' and Mistresses' Association says today.

The union, the third largest in the teaching profession, representing about 87,000 teachers, says in its evidence to the Clegg Comparability Commission on teachers' pay that schools ore succeeding in producing the workforce needed for industry, commerce and the professions.

Schools are hampered, though, because salary levels are not high enough to employ staff who have completed teocher-training after experience in industry and commerce.

The initial pay of young teachers has to take into account the rise in entry standards.

Attack on direct labour plans

BY OUR LABOUR STAFF

THE GOVERNMENT'S determination to reduce the number of local authority direct works' departments is based on its helief that direct lobour is a "balfway bouse" towards building industry nationalisotion, Mr. Les Wood, general secretary of the Union of Construction, Allied Trades and Technicians, said at the weekend.

Mr. Wood said that, not the system's efficiency, was the reason wby Mr. Michael Heseltine, Environment Secretary, was "doing his damndest" to get rid of direct works departments. Direct labour was to become a scapegoat in the Government's drive to favour free enterprise.

Speaking at a conference on public expenditure cots organised by the South East regional council of the TUC, Mr. Wood, a TUC general council member, acknowledged thst the Government bad manifesto commitments to reduce public spending.

That commitment, though, did not mean the Government conld deliberately create massive uoemployment in the public services. He said: "It is inconceivable to imagine that the voters bad deliberately gone to the polls to vote themselves ont of work."

Orders may end on-off working

FINANCIAL TIMES REPORTER

AN END could be in sight for the one-week-on, one-week-off system currently being worked by 440 men employed at one of the Tyne's major North Sea oil module-building yards.

The system was introduced in an attempt to keep the work force ot William Press Production Systems at Howdon together in the face of o shortage of orders, but the company said tbe firm had a number of tenders out and was expecting more work "fairly soon."

The company said that, rather than make skilled men redundant and risk breaking up tbe work force, the company bod decided with tbe full backing of the unions involved on the week-on week-off system.

Half the work force works one week, and then the other balf comes in the week after, with the 220 men not working being paid an agreed rate.

At its peak earlier this year, the yard employed over 800 men, but has now hit the worst trough experienced for two years.

Ellesmere strike talks today

By Our Labour Staff

NATIONAL UNION officials will meet Vauxhall Motors today in an effort to find a solution to a strike by 8,000 prodnction workers at the company's Ellesmere Port plant on Merseyside, which is entering its eighth week.

The unions recognise, though that the company is unlikely to improve the size of its pay package, which it puts ot 17 per cent and the Ellesmere Port workers at 13.7 per cent, since most of the workers at its two southern plants — Luton and Dunstable —have accepted the offer.

The national officials will first try at a meeting with sbop stewards today to find out why tha Ellesmere Port workers are so determined in their stand against the offer and how firm their support is for the unions' original claim for basic rate increases of 25 per cent.

The national officers will then bold talks with the company on the strike, a meeting called at the request of the Amalgamted Union of Engineering Workers, wbose 5,000 members at Ellesemere Port have yet to vote on the offer.

The offer of an extra 2p on the bourly rate to top craftsmen has split the AUEW at the plant, though some union officials will make it clear today that even given this feeling, the difference is not enough to warrant such a damaging stoppage.

Some strikers are expected to continne picketing Merseyside showrooms today as part of the strike committee's declared campaign of "lightning assanlts" on the company's supply lines, despite a court injunction against them.

Further legal moves will take place on Thursday, wben Vauxhall Motors applies in the High Court for an injunction against Mr. John Farrell, Transport and General Workers' Union convenor at Ellesmere Port, restraining him from making what the company calls "damaging statements" about its products.

The company hopes to restart limited production at Luton and Dunstable today.

Referendum management —the workers must decide

SIR MICHAEL EDWARDES, BL chairman, bas already achieved the unthinkable: union leaders are "strongly recommending" a plan to close planta and shed more than 25,000 jobs. By noon next Monday, the closing date for the ballot now under way, the 164,000-strong labour force is expected to have endorsed the cuts.

The issues are put strongly in letters from the company wbich will drop into the homes of the workforce today. "This could be the most important vote you will ever make. Without a substantial Yes vote BL will have reached the end of the road."

The company will be making every effort to convince workers it is not bluffing: the jobs under threat bave to go regardless. The question is not whether it sbould be merely 25.000 jobs bnt whether tbe board should halt investment and trigger off a chain of events thot would almost inevitably lead to the liquidation of BL.

This latest company ballot must be unique in terms of the numbers to be consulted and tbe gravity of the issue. BL is at the beart of the nation's engineering indnstry and, according to the unions, more thao 1m jobs ore directly dependent. But for the man on tbe sbop floor the difference lies more in the scale and the drama. This will be the fourth ballot in just two yeors, with management currently bolding a two to one lead.

It is almost two years to the day tbat Sir Michael was appointed for a three-year period to revive the fortunes of the struggling State-owned concern.

He arrived within o week of tbe BL Cars workers voting by two to one in favour of an industrial relations reform package involving central pav bargaining, moves towards parity of earnings between plants, and the introdnction of an incentive scheme. The parity programme has still to be achieved and there is no sign of agreement on incentives.

That ballot, which followed the month-long toolmakers' strike and the financial crisis that led to the eventual reorganisation of British Leyland, was presented as a make or break affair.

The company secured the backing of the unions with the threat that it offered the last chance to preserve the cars group intact. There was mnch discussion on whether the National Enterprise Board would advance the necessary investment funds. Management declared it was committed to reforms that would bring about a radical change in workers' attitudes.

Within six months the car workers were again casting their votes. Management, after failing to reach union agreement on incentives, put to the ballot the issue of whether the proposed scheme should be given a six month trial period. The unions campaigned against and won 66 per cent of the vote.

After s warning by Sir Michael that the early introduction of an incentive scheme was "crucial to the survival of the company," BL Cars came back with a revised offer in June last year. That scheme is still on the table.

The company, with the backing of the unions, again resorted to the ballot lost December. Shop-floor support was sought for the company's wage offer which, although it stuck rigidly to the Labour Government's 5 per cent pay limit, offered the chance of higher earnings under the controversial parity programme.

ARTHUR SMITH, Midlands Correspondent, on the background to BL's unique workforce ballot which could determine the company's future

That ballot followed the strike at the Drews Lane components factory in Birmingham which made nearly 30,000 workers idle and brought management warnings about the "critical" condition of BL Cars and the threat posed to up to 10,000 jobs.

Workers voted by two to one in favour even though the company said the price for the deal would be 7,000 jobs.

Given the recent history of management by referendum, there was a certain inevitability that the rationalisation plan announced by Sir Michael on September 10 would eventually be put to the ballot.

Perhaps with a company like BL—an historical accident of mergers and acquisitions—the divisions created by plant loyalties and inter-union rivalries mean that a counting of heads offers the only decisive way to resolve fundamental issues.

Certainly the divisions within the workforce have been illustrated dramatically by the confused avents of the past week.

Senior shop stewards voted almost as one for total opposition. But within three days the Confederation of Shipbuilding and Engineering Unions' executive had pledged strong support for the plan. The Transport and General Workers' Union, which claims to represent 70 per cent of the workforce, has dissassociated itself from the confederation decision and is expected to campaign against.

Most of the confederation executives, which represent 17 unions within BL, were persuaded by Sir Michael that he needed a prior commitment from the workforce to get Board backing for the plan. "We looked over the precipice and did not like what we saw," said Mr. Ken Baker, confederation president.

Executive members were coovinced the Government, elected on a wave of anti-trade union feeling, would take a hard lioe towards additional finance for BL.

"Public sympathy for BL workers is so low that a confrontation with management and the Government at this stage would be disastrous," said one senior confederation member.

The TGWU, while aware of the risks, argues there are "major defects" in the plan and it will lead to the eventual collopse of BL. TASS, the white-collar section of the Amalgamated Union of Engineering Workers, takes a similar line.

One important factory that has heading opposition to the inhibited union leaders in Edwardes's stratogy is a doubt whether the shop floor has the will to fight. The only real test of opinion so far has been at the Park Royal bus factory in London where the 650 workers have already agreed redundancy terms.

Local newspapers in Birmingham and Coventry are already carrying stories about the "golden carrot" being offered to workers. At Triumph, Coventry, where car asembly is scheduled to end with the loss of 7,000 jobs, workers have read that if they vote Yes to the plan, redundancy payments of up to £7,000 a head will be offered. A No vote would mean "minimal" pay-outs.

Sir Michael might get the substantial support he seeks in the ballot, but it is doubtful whether the unions will accept that as the mandate for the sort of industrial relations changes proposed.

It's not only wildlife that needs protecting.

A.Acknowledgement to RSPB and Photographer Michael W. Richards

The world's a dirty place. People are careless and selfish. So innocent creatures suffer. And the whole world looks even dirtier. There seems to be little we can do about this.

At present, Sketchley through their Rental & Safetywear division are only concerned with maintaining safety and cleanliness in industry. We think it's a small but important contribution to the problem of pollution, a problem that concerns more and more people from governments to trade unions.

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Other parts. If you'd like to know more about Sketchley's safety products and rental services, write to Sketchley Rental & Safetywear, PO Box 7, Hinckley, Leicestershire, or telephone 0455 38133. We can also arrange a free survey of your premises to ensure that not only wild life is being protected.

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RENTAL & SAFETYWEAR

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPUTING

Pertec in disc battle

AN 8.25-inch fixed media disc drive (Winchester type or Mini-Wini) with an 8-inch floppy disc drive, has been announced by the Peripherals Division of Pertec Computer Corporation (PCC).

PCC's D8000 combines a capacity of 20 megabytes with fast access time.

The main reason for the development according to Mr. Ralph Gabai, general manager of the Peripherals Division, is the proliferation of micro computers which has created a tremendous demand for expanded on-line storage beyond the capacity of the flexible disc drive.

The D8000 disc drive fits into a flexible disc "envelope" and solves the problem. Previously a small business system user or a multi-terminal system user needed to string up to four floppies together or move up to a full-size fixed disc, pay higher prices and undergo a possible system redesign.

The D8000 uses two aluminium alloy discs of 210 mm diameter with three data surfaces and one pre-written servo surface. Lubricant coated oxide discs allow the head to rest on the media. An environmental seal eliminates the danger of contaminants.

Rapid seek times (12 ms track to track, 50 ms average) are achieved by means of rotary positioner driven by a limited rotation DM motor which is not a stepper motor.

During the launch, Mr. Gabai underlined the reasons why PCC elected to join the three other makers in 210 mm discs—IBM standard.

Only one of the six making the slightly smaller 200 mm disc — Shugart — could come close to "forcing" the industry to a standard.

Of the 210 mm suppliers, however, combined economic mass—without even considering the IBM position—far exceeded that of the 200 mm suppliers singly or in combination.

PCC was not being IBM media-compatible just for the sake of saying it. The larger disc allowed more tracks which, in part, translated into a lower cost per megabyte. The extra 10 mm also provided an additional margin for positioning and other control functions. The larger size had been accommodated in packaging and was thus not much of a unit-size problem.

Pertec is in the final stages of agreeing a 45 per cent share holding by N. American Philips.

Pertec International, 10 Portman Road, Reading. 0734 582115.

Electronic typewriter competes

OFFERING competition worldwide to Olivetti which, earlier this year brought out what it then described as a unique electronically-driven typewriter, is a model now launched in the U.S. by Exxon Corporation's Information Systems Division.

Its name is "Qyx Level One Plus," and for that one gets a typewriter that is run by microchips, but also has a comparatively large memory capable, Exxon says, of "unlimited extension."

It can also be provided with communications options allowing it to "talk" to another similar machine or to word processors, teletypes or telex terminals.

In the meantime, at the forthcoming International Business Show in Birmingham, Vydec, part of Exxon Information Systems, is to unveil two new word processors.

Vydec 4000 is the world's first word processing system with a two A4 page-to-view display. Up to 6000 characters can be seen on screen at a time with the benefit of a scrolling facility. In addition, multiple character sets, line and character spacing together with right hand justification are displayed.

Two versions include the 4200 which uses mini floppies and is compatible with the second new machine, and the 4400 with standard floppy discs which is compatible with current Vydec 1200 and 1400 Editors.

Vydec 2000 has the new Vydec bi-directional daisy wheel printer, a 12-line CRT display and mini floppy discs for text storage.

Vydec (UK), Borax House, Carlisle Place, London SW1P 1HT. 01-834 9070.

● TRANSPORT

In early September General Motors released details of its advanced work on two types of battery—zinc/nickel-oxide and lithium/iron sulphide—reporting of the former that a life of 150 cycles of charge-discharge had been achieved. Now, the company says, it is working on a small vehicle—urban runabout or delivery van—based on nickel-zinc batteries. This vehicle would have a range of 100 miles, a top speed of about 50 mph and a battery life of 30,000 miles. This implies GM has been able to optimise battery packs to close on 300 cycles. Energy densities being achieved, running a converted Chevette, are 27 Watt/hours per lb against around 12 W/h/lb for lead-acid. Goal is 32 W/h/lb or over 2½ times as much so that the battery packs based on zinc/nickel oxide should weigh about 750 lb against 900 lb at present, but 2000 lb for lead-acid. GM, Stag Lane, London, NW9 0EH. 01-205 6541.

● AUTOMATION

Watch on traffic

SUSSEX POLICE are currently examining the advantages of a constantly updatable, flexible traffic data library as a management tool for the traffic police to help them decide the allocation of cars, men and other resources.

Called Project 2002, it makes use of four Golden River Mk 4 portable data acquisition and analysis systems at the roadside with data picked up from the road by inductive loop units.

Every 15 minutes, these units store internally such data as the mean vehicle speed, number of vehicles exceeding a site-selectable speed limit, and those exceeding two higher speed limits. Averaged traffic flow is also determined.

Final data retrieval takes place at the traffic office. Once the information is on floppy disc, programs written by the Police Scientific Development Branch of the Home Office allow further analysis including correlated traffic flows, speeds, and speed distributions with time.

Telford Road, Bicester, Oxfordshire OX6 0UL (08692 44551).

● INSTRUMENTS

Looks for oxygen

AVAILABLE from BOC Special Gases, Morden, Surrey, the Z-OX trace oxygen analyser is intended for pollution monitoring, inert gas analysis in lamp manufacture and semiconductor work.

An important aspect of the Z-OX is the availability of three ranges to cover oxygen determinations from less than 1 ppm up to 100 per cent.

A stabilised zirconium oxide tube is incorporated in the Z-OX as an oxygen concentration cell. An electromotive force (emf) is produced which is dependent of the ratio of the oxygen concentration inside cell to that outside the cell. The analyser uses air as reference gas outside the tube.

BOC, Hammersmith House, London W6 9DX. 01-748 2020.

● ENERGY

Quieter power

COUNTRYMAN Power Plant has built three trailer-mounted acoustic canopy sets for the Post Office. These are automatic mains failure sets to be used as standby power supplies for Post Offices and are designed to meet a maximum noise level requirements of as low as NC 60 at a distance of ten metres. This corresponds roughly to 70dB.

They are selected from a range of self contained power packages which extends from 20 to 2000 KVA with many engine or control options.

Countryman, Fleming Way, Crawley, West Sussex, RH10 2JY. (0293) 23451.

● MATERIALS

Foams with novel properties

THREE NEW products based on irradiation cross-linked polyethylene foam include Alveolit FR-B, a flame retardant grade of standard density foam and conforms to DIN 4102 Class B1. Density is 35 kilos per cubic metre.

The product should find a number of applications in the construction industry, including eaves fillers, wall and roof insulation and pipe coverings. Specialist applications include aircraft furnishings, where the product is expected to dominate.

The second material allows foaming down to ⅛ mm thickness in the low and medium density ranges. During processing the product retains uniform small cell structure and high skin finish on both sides.

Applications envisaged for this new grade include domestic wall coverings, performance mounting tapes and protective packaging wraps.

In packaging the product may be used on its own or as a laminate in conjunction with film, paper or board.

"Toughskin" is the name for the third grade which combines the traditional advantages of the standard product with an abrasion resistant skin on both sides.

Immediate applications include such items as automobile interior trim and boot locker mats. A major advantage is that during the heat-shaping process the surface skin may be finished in a range of designs.

The resultant integral skin product combines good cosmetic appearance with extremely light weight.

Sekisui (UK), Ward Royal Parade, Alma Road, Windsor, Berkshire, SL4 3HR. Windsor 69611.

Timber off-cuts

MANUFACTURED by Ladbourne Engineering of Ware and marketed in conjunction with C. D. Monninger is a finger jointing machine using 10 mm "mini-finger" joint cutters which can join timber off-cuts down to 150 mm in length.

The machine, which is to appear at the NEC, Birmingham (December 2 to 8) should allow the user to rescue timber that would otherwise be scrapped; in view of the escalating cost of timber, considerable savings could result.

Also at the exhibition on the C. D. Monninger stand will be woodworking tooling from Leitz of West Germany not so far seen in the U.K. Included will be a solid multi-profile cutter with HSS tipped teeth for producing mouldings, a quick change adaptor for dowel boring and hinge boring bits which will reduce retooling times on multi-boring machines, and an extensive range of knives for all well known makes of portable electric planing machines.

Overbury Road, London N15 6RJ (01 800 5435).

● SOFTWARE

Links UK and France

IAL, London-based international aviation and communications systems and services company, has reached agreement with Cap Gemini Sogeti (CBS), the Paris-based European software group, to create a new European computer and communications force that will draw on the expertise of both companies in their respective fields to solve the communications problems of the 1980s.

CGS will market IAL's data communications, aviation electronics and software products and systems throughout Europe. In turn CGS will have access for its products through IAL's worldwide operations to markets in the Middle East, Far East and Africa.

As part of these arrangements it is proposed that, in due course, the two companies will form a new software and systems organisation to be known as IAL Gemini, which will consist of Gemini UK, CGS's UK subsidiary, and IAL's Computer Systems Division.

IAL, a wholly-owned subsidiary of British Airways has expanded fast in the past five years. Turnover has increased from £22m in 1974 to £125m in 1978 and pre-tax profit from £1.3m (1974) to £9.3m (1978) and this has generated the resources to enable it to develop expertise.

Cap Gemini Sogeti is one of the leading companies providing computer consultancy, systems and software development and implementation. It resulted from a merger in 1974 of Cap and Sogeti, two French software houses, and the 1975 acquisition of Gemini Computer Systems of the U.S. The group has grown to a 1978 consolidated revenue of £55m with a total of 2,670 employees. CGS operates in seven major European countries and in the U.S. and earns over one-third of its revenue outside France.

Cured in three minutes

TWO THERMOSETTING powders, Tritorga 45 and Tritorga 78, have been added to the range available from Micro Reducers, Sandfold Lane, Levenshulme, Manchester.

Made from epoxy resins, pigments, additives and a hardener, the 45 coating comes ready for use in powder form with no solvent, and curing can take place from 130 degrees C upwards and at an object temperature of 180 degrees C, in only three minutes. Applied directly to metal surfaces in one coat this is said to give an attractive finish plus excellent adhesion, flexibility, hardness and dielectric properties and has good resistance to chemical agents.

Based on a combination of modified polyester resins, Tritorga 78 promises to improve protection and decoration of heavy industrial equipment because of its excellent resistance to chipping and abrasion, very hard surface, good over-curing stability, edge-covering ability and weathering resistance. Items which should benefit from this coating, says the company, are metal and hospital furniture, spare parts for cars, electrical boxes and metal parts in the appliance industry.

Will repair cracked concrete

A REPAIR material called Epoxy Render is now being supplied by Protective Materials, Oakcroft Road, Chessington, Surrey (01-397 3344) for use on the exteriors of buildings, jetties and other concrete structures. It is natural concrete grey in colour and provides a straightforward method for making permanent repairs to cracked and spalled concrete.

Before applying this it is necessary to paint on a coat of the company's Epoxy Tack. Render is then applied by trowel and is particularly easy to use since it has little tendency to cling to the tools.

It is easy to consolidate to a dense, void-free consistency and has very low slump characteristics which make it ideal for repair of vertical surfaces or under overhanging surfaces.

Render will harden in temperatures as low as 0 degree C, although full strength will not be achieved until the temperature rises. The material begins to set in one to two hours, attains initial cure in 24 hours and full strength within two to seven days, depending upon the temperature.

Makes a new mark

PRODUCTS OF the Manders Group already enhance a Scottish lighthouse, the interior of the Dorchester's grill room and a ceiling at St. Paul's Cathedral, and now the company aims to make its decorative mark on ships, lorries and containers with the acquisition of Fleet Markings under an agreement reached with the parent company, Transcontainer Services.

Fleets Markings prints decals (or transfers) for transportation requirements, its main activities being concentrated in the containers market.

Already a major supplier of finishes to the transportation field with paints for commercial vehicles and containers through Mander Domolac, the group says it is now able to offer users a total system of protection and decoration.

Manders (Holdings), P.O. Box 9, Mander House, Wolverhampton.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

The Post Office is publishing free of charge copies of a series of specially commissioned articles by independent experts on small freight and parcels distribution. Here is a précis of the sixth, by Brian Sharp who is a consultant in Direct Marketing.

Entering the Mail Order Market.

Trends in Mail Order

Twenty-five years ago it was not considered quite respectable to buy by mail order. But today along with hire-purchase, bank loans and overdrafts, mail order has achieved respectability and reaps spectacular benefits.

Very little food is sold by mail order. If, therefore, retail food outlets are ignored, the share of the retail market held by the leading mail order houses rose from 0.9% in 1950 to 8.6% in 1977.

Mail order houses' percentage share of total retail sales and non-food retail sales, 1971–1977

	All retail sales	Non-food retail sales
1971	3.8	7.1
1972	4.2	7.7
1973	4.5	8.0
1974	4.7	8.1
1975	4.7	8.1
1976	4.7	8.2
1977	4.9	8.6

Source: Economist Intelligence Unit estimates based on Department of Industry statistics.

The mail order houses had credit sales of about £1,570 million in 1977, which was a rise of 20% on 1976. In 1977, credit sales accounted for 86.9% of all mail order houses' turnover. This compares with 13.4% for durable goods shops, and 13.1% for department stores.

But although the mail order catalogue houses *dominate the market,* there has been a trend towards specialist and other mail order houses.

The importance of the product and the media

In setting up a mail order operation, you must make sure that the product lends itself to mail order. Which means that it should embody some special advantage.

The impulse reaction of 'off-the-page' buyers is in contrast to mail order catalogue buyers who tend to browse and make up their minds at leisure. If you are advertising in the press, the size, position, timing and frequency of your advertisements should be the subject of very close study.

Law and ethics

There are certain legal and voluntary codes of practice which now apply to mail order *advertising* and *trading.* These involve the Newspaper Publishers Association, the Trade Description Act, the Unsolicited Goods Act and the Mail Order Traders Association. So today, extra care needs to be taken in starting a mail order operation. But this is more than compensated for by the many advantages in an expanding market.

Good opportunities for starting or expanding

90% of all parcels distributed by post come from the business sector, and the Post Office gives special terms to regular users.

It is confidently predicted that mail order will continue to grow and outperform other methods of retailing. 1978 figures show an increase of £270 million up to £2,075 million. Forecasts are that mail order will reach £2,365 million in 1979. (Department of Industry and Economist Intelligence Unit forecasts.)

Prospects are certainly bright for those contemplating expansion of their mail order activities, and also for newcomers on the mail order scene.

Note: The statistical information quoted in this document is by kind permission of Business Review.

To: Jackie Willbourne, Room 434, FREEPOST, Postal Headquarters, St. Martin's-le-Grand, LONDON EC1B 1HQ

Please send me ___ copies of the full article: *Entering the Mail Order Market* by Brian Sharp, Consultant in Direct Marketing.

I would also like copies of the previous articles in the series. (Indicate numbers required in box)

Own vehicle fleet cost versus carriers' prices ☐

The future for mail order in the U.K. ☐

Packaging costs versus the costs of replacement ☐

Opening and developing an export market ☐

The future role of depots in a distribution network ☐

NAME

TITLE

COMPANY

ADDRESS

TEL:

POSTCODE

*You don't need a stamp.

FT/22/10

Royal Mail Parcels
'We mean business'

Notice of Redemption

Transocean Gulf Oil Company

7% Guaranteed Debentures Due 1980

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of November 1, 1968, under which the above-designated Debentures are issued, $1,439,000 aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on November 15, 1979 (herein sometimes referred to as the redemption date):

$1,000 COUPON DEBENTURES BEARING THE PREFIX LETTER M

[illegible]

1031	3282	5477	7830	10149	13085	15488	18131	20361	23834	26288	28300	30347	33280	35481	38261
1043	3285	5479	7839	10158	13087	15514	18135	20487	23952	26314	28313	30388	33339	35506	38273

The Debentures specified above are to be redeemed for the Sinking Fund (a) at the **Multi-National Bond Agency Services Department of Citibank, N.A. (formerly First National City Bank), Trustee** under the Indenture referred to above, **No. 111 Wall Street, in the Borough of Manhattan, the City of New York,** or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Frankfort/Main, London (Citibank House), Milan, Paris, Brussels and Citibank (Luxembourg) S.A., in Luxembourg. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on November 15, 1979, the date on which they shall become due and payable, at the redemption price of 100 percent of the principal amount thereof, together with accrued interest from November 1, 1979, to the date fixed for redemption. On and after the redemption date, interest on the said Debentures will cease to accrue. Upon presentation and surrender of such Debentures with the November 1, 1980 coupon, payment of principal plus accrued interest aggregating $1,002.72 for each $1,000 Debenture will be made out of funds to be deposited with the Trustee.

The amount of any missing unmatured coupons will be deducted from the sum due for payment.

Transocean Gulf Oil Company

By: CITIBANK, N.A.

as Trustee

October 15, 1979.

NOTICE

The following Debentures previously called for redemption have not as yet been presented for redemption.

DEBENTURES CALLED NOVEMBER 15, 1977

157	1478	6255	8259	9237	10297	12714	15171	15904	16606	20431	22667	23479	26645	31193	31671
824	1522	8062	8300	9242	10621	12830	15791	15915	16758	21029	23310	23899	27952	31662	31673

[illegible]

DEBENTURES CALLED NOVEMBER 15, 1978

[illegible]

Building and Civil Engineering

Modules for Maureen

SLP Group has heen awarded the contract to build the accommodation/cootrol complex for the Maureen platform for Philips Petroleum Cnmpany. The project, valued at almost £5m is scheduled for completion in August 1980.

Total weight of the five and three-storey modules will be approximately 3,000 tonnes. There will be five modules, to provide accommodallon, dining, kitchen, storage, changing, medical and recreation facilities.

Accommudation is of high quality standard and iocludes 73 two berth cabins.

A muster/reception room is located on top of the centre five storey module. The modules will be linked together once in position on the platform.

Fabrication is already under way at Beccles and final construction will be carried out in Lowestoft at SLP's Commercial Road Yard.

Water works by McTay

FOUR civil engineering contracts, totalling £1.2m, have gone to McTay Construction, of Bromborough, Merseyside, part of the Mowlem Group.

Three of the contracts involve water works in the Aberdeen, Accrington and Bolton areas and the fuurth is a project near Runcorn for an electricity authority.

Grampian Regional Council has placed a £511,000 contract to lay and joint 2.2 miles (3.5km) of water main from Mannofield to Bluehill reservoir, Aberdeen, as part of the Bluehill Water Scheme. The ductile iron pipes, of 600mm, 500mm, and 450mm diameter, will he laid in open cut and will include crossing the River Dee.

A £270,000 contract to build a single-storey administration and workshop building at the Marlholme Sewage Treatment Works near Accrington is from the North West Water Authority's Ribble Division, Preston.

The Authority's Pennine Division has put a £100,000 contract for work at Crowthorn Pumping Station near Bolton, as part of the Crowthorn Water Scheme. It involves the construction of a small reservoir containing 110,000 gallons of water with a reinforced concrete cover, a pumping station, piping and ancillary work.

A £300,000 contract to redevelop a high voltage grid substation at Percival Lane, Runcorn, is from the Merseyside and North Wales Electricity Board (Manweb).

Air terminal alterations

FURTHER improvements to the 24 year old Terminal 2 at Heathrow Airport are to he carried out under a £1.1m contract awarded to John Laing by the British Airports Authority for the final phase of its five-year redevelopment programme.

Work involves alterations and refurbishments to the arrivals passport control area, transfer lounge, baggage reclaim hall, airside corridor and second-floor balcony buffet and staircase in the main concourse. There will also he alterations to the roof and spectators' enclosure.

Work has just started and is due for completion by early summer next year.

Talk about concrete

TO BE HELD at the Wembley Conference Centre on January 15 and 16 next year, the Concrete 80 conference has already attracted 600 enquiries.

It will review the latest developments in the handling of one of the most universally useful of building materials.

Leaders of the conference will he speakers drawn mainly from European-based international construction companies, who have been active in major developments, while 60 major companies will be represented at the exhibition.

Noteworthy at the event, which is to be chaired by Professor Adam Neville, Vice Chancellor, Dundee University and formerly Professor of Civil Engineering, University of Leeds, will be the inclusion of the latest field experience in the papers presented.

The first day will open with a survey of the basic methods of making very high strength concrete, choice of method and the circumstances favouring its use.

Evolution of GRC technology, current practice and its future development as an accepted building material will he discussed.

UK experience in the use of sprayed concrete in new construction, repair, rehabilitation and strengthening work will also he examined.

£3m worth of varied work

TILBURY CONSTRUCTION has four new contracts worth more than £3m.

The largest, for the Yorkshire Water Authority, accounts for £1.73m and is for extensions to the Tadcaster sewage and hrewery waste treatment works in a two-year programme, to he handled by Tilbury's Wakefield office.

For the Anglian Water Authority, Tilbury has won an £0.94m contract to construct a sewage treatment works at Holt, Norfolk.

The remaining pair of contracts valued respectively at around £227,000 and £208,000 are for improvements to a bus garage and extensions to post office telephone exchange in Huddersfield.

Will help the flow of oil and gas

INSTALLATION OF 34 remote terminal unit stations at various plants throughout the eastern province of Saudi-Arabia is to be done by Interstal Saudi Arabi (Balfour Kilpatrick) under a £1.5m order from ARAMCO.

The unit stations are being installed to improve the central despatch monitoring system.

Using materials supplied by ARAMCO, the contract period will be 18 months. The work will involve cabling, pneumatic piping, instruments, calibration, loop checking and commissioning of the equipment. The installation will be carried out in plants in current operation which necessitates "hot tap" work in gas and oil pipe lines.

Over £3m worth to Cubitts

FOUR CONTRACTS recently awarded by the Property Services Agency bring total workload for Cubitts at RAF Chivenor, near Barnstaple, Devon, to more than £3m.

Under the main contract, worth £2.2m, the South West area of Holland, Hannen and Cubitts Construction (London) will carry out a major refurbishing of the hangars as part of a scheme to reactivate the former Hunter training station.

Cubitts began a £300,000 improvement scheme for technical accommodation at Chivenor earlier this year and has now received further modernisation contracts at the RAF base, totalling £540,000.

In Scotland, redundant railway land in the Kinning Park district of Glasgow will be put to new use as a result of a £450,000 award. Two warehouse blocks to be built for British Rail Property Board are planned to provide 10 leasable units with a total floor area of about 3,300 square metres. A clad, steel frame construction has been specified, using facing brickwork to dado height, and the Cubitts contract includes provision of services to the nearby road.

Abattoir near completion

FINISHING touches are being put to phase one of Edinburgh's new slaughterhouse at Gorgie. Main contractor Fairclough Building, Scottish Division, is already part way through the second and final phase—a £4.5m contract for a building, housing offices and equipment and machinery for most of the slaughterhouse processes.

This second phase construction will have a structural steel frame and reinforced concrete foundations.

Fairclough is due to finish work on the first phase — a £650,000 meat preparation plant — early in November.

Construction work on phase two started in May 1979 and is due to finish in April 1981.

Light plastics piping

INCREASE IN the price of oil produced some good for Yorkshire Imperial Plastics . . . the oil crisis and anticipated shortages in raw materials spurred the company into production of a high-strength, unplasticised polyvinyl chloride (HSPVC) pipe which would be tougher and stronger than conventional upvc pipe, but would also actually use less materials.

Launching of Superpolyorc takes place after successful field tests by water authorities—two installations are at the Yorkshire Water Board and Swindon (Cotswold division of Thames Water Authority).

The piping is available for water, sewage and effluent at temperatures up to 55 degrees C, in 16 and 18 inch diameter and in lengths of 10 metres.

Wall thicknesses and weight of this pipe is just over half that of standard BS.3505 material of a similar diameter and pressure rating and its impact strength is improved by a factor of at least six, claims the company.

Extra processing costs involved in its production are balanced by substantial savings in raw materials with the result that its price on a linear basis is said to be competitive with traditional materials.

Current production is geared for 10 bar working pressure and incorporates the Anger joint (completely integral mechanical joint with an elastomeric sealing ring).

At the company's Swindon plant, the product has heen investigated and examined by the Agrément Board which has awarded it the first Agrément certificate for an improved pvc pressure pipe system.

Advantages of Superpolyorc's better burst strength and impact strength, fatigue resistance, lightweight and longer lengths (making it cheaper for the contractor to handle) cannot be met anywhere in the world, claims the company, which has investigated the market in UK, Europe, Japan, America and Australia, and is now looking for international licensing.

YIP, PO Box 166, Leeds (0582 701107).

DEBORAH PICKERING

Progress of offshore industry

CONSTRUCTION INDUSTRY Research and Information Association has just published the 1979 edition of its Underwater Engineering Group's directory of current UK research and development relating to offshore structures and pipelines (UTN 17).

New edition was compiled under contract to UEG by the Institute of Offshore Engineering.

Available from CIRIA, 6 Storey's Gate, London SW1 (01 222 8891) at a cost of £28 (UEG members £7).

Cutting up reinforced concrete

POWERED by a 100 cc, two-stroke, air-cooled petrol engine capable of generating peripheral cutter disc speeds up to 80 metres per second for heavy duty applications, the K1200 cut-off machine manufactured by Partner in Sweden is available in the UK through C. D. Monniger.

Engine life is extended by the use of a patented, three-stage air filter system which prevents foreign matter entering the plated cylinder—a common cause of engine failure in cut-off machines since they tend to generate a considerable amount of dust when cutting. A pre-filter fitted outside the main housing rejects the majority of coarse particles, and can be removed easily for cleaning. The main paper-type air filter has very good separation characteristics, eliminating all particles over 12 microns. A third anti-spill filter is also provided to prevent dirt or other objects falling into the cylinder when the other two filters are removed for cleaning.

Two types of 305 mm diameter cutter disc can be supplied for working on stone and metal, both of which can cut to a depth of 97 mm. A special cutter disc with carbide-tipped teeth is also available, but this is normally employed for salvage operations and should only be used by specially trained personnel.

"Ignitron" electronic ignition, developed by Partner, ensures easy starting in all conditions. Overall weight is 14.1 kg, including the cutter disc. Fuel tank capacity is 1 litre giving approximately 45 minutes uninterrupted use.

C. D. Monniger, Overbury Road, London N15 6RJ. 01-800 5435.

Ceiling of unusual design

A NEW principle of ceiling construction was used and successfully completed, throughout the five floors of open plan offices covering a total area of approximately 30,000 sq metres at the new Crown Office Building, Cathays Park, Cardiff.

Architects for the project were Alex Gordon and Partners.

Ceilings were built on a modular coffer system, unique in its design, which had to integrate air-handling luminaires, engineered header boots for the input air, provide acoustic correction, housing facility for electrical wiring and general fixing locations for partitions as well as meet Class "O" spread of flame.

The main coffer ceilings are based on a 2 sq metre module fixed at 2.7 metres above floor level, and are specially engineered having inclined metal ends and sides, forming a coffer 500 mm deep.

The ceiling was set out at floor level with a laser beam device, then, using specially designed hangers and two-part suspension brackets, the grid was suspended to the specified height, adjusted and precisely levelled and aligned, again with the self-levelling laser, before finally being locked.

Cost of the ceiling work alone was put at £1½m

Recognition for a reservoir

THE Ingersoll-Rand Italia Prize (a sculpture by Francesco Somaini) has been awarded for the High Island Water Scheme jointly to the Hong Kong Government, the latters consulting engineers Binnie and Partners of London and the contractor, Vianini S.p.A. of Rome.

The prize is awarded annually for a major engineering scheme, involving Italian participation, which best draws public attention to social, technical and aesthetic obligations concerning constructional projects.

This year's award-winning scheme, which was completed in 1978, comprises two 100 metres high rockfill dams built at either end of the strait between High Island and the mainland to form a fresh water reservoir where once there was sea.

IN BRIEF

- Work in Scotland for Sir Robert McAlpine and Sons totals just over £1m. In Dumfries the company will erect a three-storey commercial building for Ossory Road Estates under a contract for £200,000, and build a 34 x 15 metre de-palletiser structure for Scottish and Newcastle Breweries in Edinburgh for £862,000.
- Andrews Weatherfoil has been awarded contracts worth £800,000 by the Department of the Environment and the South Western Regional Health Authority.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

His countrymen's pockets provide business for an expatriate U.S. lawyer. Alan Friedman reports

The man who is his own tax haven

AMONG clients and friends, he is known as "Mr. Overseas Taxation," a title Tom Johnson accepts cheerfully.

As an American corporate lawyer based in London, he discovered that there were vast areas of expatriate taxation which were unattended to. "People don't realise that the United States is unique among major Western countries in that it taxes on the basis of citizenship, regardless of residence," he says.

Johnson explains that his interest in tax law developed a few years ago: "I thought that Congress and the folks in Washington didn't know what they were doing and I wanted to help people abroad to protect themselves. I also wanted to write a book and one thing led to another."

The book "A Practical Guide to U.S. Taxation of Overseas Americans," came out in 1977. It was published by a small press in the Channel Islands (where else?) and became a hit among U.S. expatriates.

A native of South Dakota, Johnson grew up in the American Middle West and then attended Harvard Law School. He met and married an Englishwoman while practising corporate law on Wall Street and the two came to live in Britain nearly eight years ago.

An anglophile, he says he has no immediate intention of returning to the States. He has an attractive set of offices in the City, where he masterminds a mini-empire of tax-related projects.

Using the receipts from his book, Johnson went on to found a monthly newsletter, which now has about 500 subscribers around the world. It provides an update on "tax actions" which could affect U.S. citizens in the UK and elsewhere. Business Week magazine has said: "A whole new set of deductions reflects excess living costs abroad. To sort them out and make sense of other aspects of paying your U.S. taxes abroad, get U.S. EXPATRIATE TAXATION."

Johnson is proud of this endorsement but he remains modest about his achievements and is pressing on with his newest project—a set of international tax conferences in Britain and Belgium.

The first such meeting was held in February, in London. It attracted nearly 150 people who were eager to learn about the newly legislated amendments to the Foreign Earned Income Act passed in Washington. Many exemptions were recently axed by the U.S. Congress and a frenzied atmosphere of panic swept the European community of American expatriates.

At this conference there was a full-scale tax "workshop" for U.S. businessmen, accountants and lawyers who wanted to take the sting out of American tax laws. Its success led to another earlier this month, also in London, and a similar convocation in Brussels last week.

At each meeting, Johnson sits attentively on the platform and introduces a series of international experts. This month's London conference featured some of the luminaries of the expatriate taxation circuit—a host of lawyers and accountancy experts from major firms such as Fulbright and Jaworski and Arthur Young.

Subjects such as "The tax consequences of relinquishing U.S. citizenship" and "Special tax planning consideration in the UK" are covered, and discussion centres on legal ways to avoid paying taxes. There are detailed descriptions of tax shelters and perks. One of the legal experts put it this way: "To my way of thinking, tax reduction means tax avoidance. It can be done."

William Haynes of the Commerce Clearing House, a Chicago-based publishing company which specialises in tax literature, comments on the growth of Johnson's enterprises: "This field was in its infancy when I first came to London in 1972. You couldn't get four or five people in a room to talk about personal taxation. Now it's a full-blown specialty. I think Tom Johnson's doing a fine job."

The main impetus has come from the changed laws. One experienced observer with the Arthur Young accountancy firm said: "I've seen a string of stunned Americans come through my office. They have just discovered that their personal tax liabilities have changed significantly."

Johnson agrees. "Things are really taking off. This all started as a hobby for me, but it is now taking over my life. It also seems like a good thing entrepreneurially."

Given the sales of books, newsletters and conference income, Johnson would appear to be correct. He is planning to sponsor UK and Belgian conferences on a regular basis, expand the circulation of his newsletter through a direct mail advertising scheme and update his book.

Early next year, Johnson will also be able to advise his clients on a new London-based computerised tax service for U.S. citizens. This will be a project of the Commerce Clearing House, designed to assist Americans who must pay their taxes from the UK.

Meanwhile, Johnson also specialises in telling his readers about the various personalities in Washington they should love or hate. In the latter category is Wisconsin Senator William Proxmire, the nemesis of overseas Americans. Proxmire, who is known in the States for his "Golden Fleece" awards to parts of the federal bureaucracy which engaged in the most egregious examples of wasteful government spending, gained notoriety by describing overseas Americans in less than flattering terms.

Proxmire, an advocate of stringent laws on overseas taxation, characterised U.S. citizens abroad as "mink-swathed Americans" who "spend their waking hours in gambling casinos in Monte Carlo" and as "high-living jetsetters living at the taxpayers' expense."

Johnson disagrees. He believes that he is fighting for the common man with a wife and children, education and a mortgage to pay for. In his latest newsletter, he describes a libel suit against Senator Proxmire and tells his readers to "derive vicarious satisfaction" from the court case.

His concern over the plight of the overseas American appears to be sincere. "You have to realise that until 1978 there was a buffer for overseas Americans in the form of a set of tax exemptions. There had always been injustices in the law, but they had been covered by the exemptions. When that buffer was removed the U.S. Congress opened up a Pandora's box," he said.

A "Pandora's box" it may be, but the recent changes in the law have spawned a major new business—that of the overseas tax adviser for personal accounts. Stephen Feldhaus, a lawyer with the U.S. firm of Fulbright and Jaworski, put it this way: "Because of the unbelievable complexity of the law affecting overseas Americans, the use of the tax adviser is now almost mandatory."

"I think this business is going to grow and grow unless Congress changes back the law—and that is unlikely," says Johnson.

It may not seem a cheerful prospect for the average overseas American, but for "Mr. Overseas Taxation" the curtain has just gone up.

Ashley Ashwood

Tom Johnson: fighting for the common man, his wife and children.

Business courses

Accounting and Costing for Profit, London. November 20-21. Fee: £150 (plus VAT). Details from Industrial and Commercial Techniques, Park House, Park Street, Camberley, Surrey, GU15 3PT.

Motivation and Productivity, Brussels. November 19-20. Details from Management Centre Europe, avenue des arts 4, B-1040 Brussels, Belgium.

Plans and People, London. November 12. Fee: £80 (plus VAT) members, £95 (plus VAT) non-members. Details from Society for Long Range Planning, 15 Belgrave Square, London SW1X 8PU.

Finance and Accounting for Managers, Bedford. November 30-December 5. Details from Mike Allen, Programme Tutor, Cranfield School of Management, Cranfield, Bedford. MK43 0AL.

Predicting Management Potential, Uxbridge, Middx. November 21-23. Fee: £190. Details from The Secretary, Brunel University, Uxbridge, Middx, UB8 3PH.

How Master Salesmen Negotiate Prices, London. November 27. Fee: £65 (members), £75 (non-members). Details from The College of Marketing, Moor Hall, Cookham, Maidenhead, Berks, SL6 9QH.

The Assertive Executive, London. November 26-27. Details from Eurotech Management Development Services, 13, Holder Road, Aldershot, Hants, GU12 4RH.

Managing the Product Liability Risk, London. November 26-28. Fee: £295 (plus VAT). Details from Risk Research Group, Bridge House, 181, Queen Victoria Street, London EC4V 4DD.

The Manager's Guide to Product Liability, Oxford. November 25-30. Fee: £420 (plus VAT). Details from Accelerated Management Development, Six Sheet Street, Windsor, Berks.

The Skills of Inventory and Material Control, Midlands. November 29-30. Fee: £120 (plus VAT). Details from Purchasing Economics, Pel House, 35 Station Square, Petts Wood, Kent, BR5 1LZ.

Stress lies in the mind of the believer

BY JASON CRISP

YOU ALL know about semi-skilled worker stress. You don't? What about clerk stress or professional person stress? Or how about labourer stress or unemployed school-leaver stress?

I see. So you only know about executive stress: one small group of the population dices every day with duodenal ulcers because of the fearsome pressures of its trade.

Then you would recognise this picture: "Managers tearing into their work, on and on into the night . . . Managers flying over time zones upsetting the delicate balance of sleeping and waking, building up irritability and tension they dare not show at vital meetings that cannot be postponed. Managers in conflict with subordinates over instructions unobeyed . . . caught in crises produced by organisational shifts . . . torn between their own aspirations and the needs of the corporation . . . held accountable for results they had no power to influence . . . careers disrupted as jobs are terminated by Boardroom politics."

So begins the report of a survey conducted by the American Management Association into executive stress.

Quite simply the AMA study of over 2,500 executives, found that the popular image of the harried executive for whom stress is the norm as he or she faces a daily barrage of crises, pressures and frustrations, was just not true.

There was a minority who felt that they had more work than they could handle, were never sure how much authority they had, or who felt caught in the middle on important issues. But, says the report: "The great majority by far reported that during the last year stressful situations on the job arose *at times* but not with great frequency."

The study found that the executives took stress in their stride. They did not see themselves as adopting bad working habits or any particular emotional responses because of stress. Nor for that matter were they taking to the bottle or smoking heavily—or if they were they were not admitting it.

As the authors reflect, this is contrary to "the recent spate of books on executive health which portray the typical manager as 'ravaged' by stress and in need of a 'survival kit.'"

Nevertheless, managers are not totally devoid of stress. The executives surveyed were asked to select the three key factors which produced stress in their jobs. More than seven out of ten from both top and middle management cited work demands and time pressures. The authors point out that although many of the managers worked for organisations which put a high value on productivity and tight time schedules, "many managers create their own stress by taking on extra responsibilities, failing to assign ancillary tasks to subordinates, or neglecting to insist on realistic deadlines."

Six out of ten executives gave as a high-ranking stress factor the disparity between the expectations of the organisation and their own goals. This, say the authors, shows how important it is that managers' jobs fit their abilities and needs. An inability to reconcile individual and organisational differences can lead to deep feelings of frustration, they add.

Office politics were a common source of stress; one out of two in the survey said they were a worry.

However, top management and middle managers did not agree on the next most prominent source of stress. For middle managers it was "responsibility without authority." Senior management was more concerned about a lack of feedback on job performance and uncertainty about the future for their organisation or industry.

Another difference between top and middle management was that senior managers appeared to be under stress less frequently. This the report says is because: "Persons at or near the top have more power and control over the sources of stress than individuals in a lower echelon do; they are also more likely to have fulfilled their career aspirations."

Outside of work the biggest single worry for both groups were financial problems. This the authors believe is because of the increase in inflation in the U.S. and that their concern is not so much of job security but rather of "asset security."

Top managers gave problems with children as the second biggest cause of stress outside their work. Since they were older they no doubt had rebellious adolescents on their hands more than did the more junior group. Top managers put "physical injury and illness" third. For middle management the order was the other way round.

The survey also looked at how the executives coped with stress. It found that most of them used a combination of techniques. Nine out of ten said they would delegate so as not to carry all the workload and nearly as many said it helped if they analysed what was causing stress and then decided whether it was worth worrying about or not.

Two-thirds also said that they were able to forget about the job once at home and followed recreational activities, including physical exercise.

Round and round the loops we go

BY SAMUEL BRITTAN

ECONOMIC WRITERS are often asked for a book which will explain terms such as "Keynesian," "monetarist," "New Cambridge," "Fine tuning," the "Phillips Curve," or "crowding out," and the controversies which surround them. Now at last just such a paperback has appeared by K. A. Chrystal, a former Treasury economist now at Essex University. (Controversies in British Macroeconomics, published by Philip Allan.)

The book contains the only short explanation I have seen of the logic of the Treasury forecasting model, which is neither a technical manual nor a bland survey for ministers.

The aspect of it which I want to concentrate, however, is his description of the loops through which Western economies go. The chart brings his figures up to date and adds some "informed judgmental forecasts" (i.e. guesses) of my own for 1980 and 1981. All four combinations of rising and falling unemployment and rising and falling inflation, are in fact possible.

Let us start off with the Heath expansionist policies of 1972-4. Output rose and inflation also increased slightly. But this has not always been the case. There have been expansionary phases when inflation has dropped. The point is that until inflationary expectations are affected expansionary policies affect mainly output and employment. By 1974 inflationary expectations had risen and with them the price at which labour was supplied. The expansionary impulse was by then completely dissipated in more inflation. The oil price explosion and miners' strike aggravated matters, but they can hardly be blamed for features which recur in every cycle.

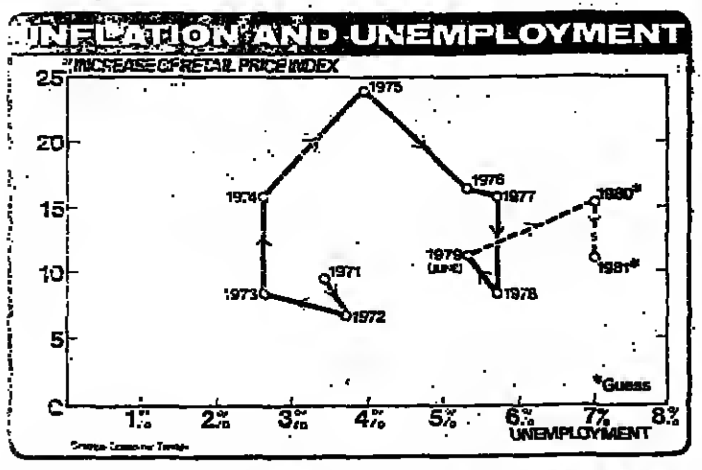
The second and most unpleasant phase was 1974-1975. Mr. Healey was half-intentionally squeezing the money supply hard, but inflation expectations were gathering momentum as a result of the previous boom. So both unemployment and prices were rising. In the third phase, 1975-1977, unemployment was still rising but inflation was falling. The fourth phase, 1977 to 1978, was the best. Not only was inflation falling but unemployment was falling as well—a fact disguised by the crude year to year figures. The next phase, the Healey mini-boom up to the election with unemployment falling and inflation beginning to take off again, was the first phase all over again and thus the beginning of a new cycle.

We are now about to enter again the phase with unemployment and inflation both rising severely.

These loops were known to Treasury economists in the 1960s. But look what has happened. The loops have been circling round successive higher unemployment rates: and the inclusion of more years would also have shown a trend towards higher inflation as well. Moreover, monetary expansion now has a much smaller effect than it used to on unemployment and feeds far more quickly into the inflation rate. Chrystal's surmise of 3 per cent as the "sustainable" rate of unemployment at which the economy could stabilise was implausible even when the book was written. The correct figure now looks at least double that percentage.

Indeed once the monetary changes are understood and forecast in the marketplace the loops ought to collapse and monetary changes influence prices straight away. This is the contention of the "rational expectation" schools. At present this is much more true in the upswing than the downswing, thus giving us the worst of all worlds.

INFLATION AND UNEMPLOYMENT



Sex Discrimination Act's blow against chivalry

"THE AGE of chivalry is gone," Edmund Burke wrote in his reflections on the French Revolution; "that of sophisters, economists and calculators has succeeded." A similar comment might be made about the social revolution in Britain as a result of legislation on sex discrimination because last week's decision of the Court of Appeal in Jeremiah v. Ministry of Defence has effectively driven chivalry out of the factory, or indeed any place of employment.

The question facing the Court was whether the Ministry had been discriminating unlawfully against its employees at its explosives factory at Glascoed in South Wales.

Mr. Jeremiah was an examiner at the factory. He worked in various shops, but occasionally, as part of voluntary overtime, he did a stint in what was graphically called the colour-bursting shop.

By contrast, women examiners who volunteered for overtime were never required to do such distasteful work. Indeed, it would have been impractical for women to do so, because there were no separate protective clothing and showering facilities.

In the colour-bursting shop, shells were made for practice shooting by the Army. When the shells burst they explode into red or orange colours so the gunners can see whether they have hit their target. The shop is persistently dusty and dirty because of the red and orange dyes. Before starting work the men strip off their ordinary clothing. After work they have to take a shower before putting their ordinary clothing back on again. No doubt out of a deep sense of solicitude or even chivalry towards its women workers, the Ministry did not require the women to do the same work.

It was thought that women, more concerned than men with personal appearance, should not have to scrub themselves down under a shower and re-set their hair. As Lord Denning put it, a woman's hair is her crowning glory; she does not like it disturbed or ruffled.

Disadvantage

Was the Crown's solicitude towards female workers unlawful under the Sex Discrimination Act? Parliament has decreed that an employer discriminates against his male employees if he treats him less favourably than he treats his female employee, "on grounds of his sex," that is, because he is a man and not a woman. And vice-versa. It only becomes unlawful for an employer to discriminate against his male employee if he subjects him to a detriment not imposed on the female employee, and vice-versa. The simple fact was that subjecting Mr. Jeremiah to the obnoxious work in the colour-bursting shop, but not his female counterpart at work, was to treat him less favourably than her.

But not every differentiation in treatment is necessarily an unlawful discrimination. The deprivation of choice or differentiation must be associated with detriment, and that means

THE WEEK IN THE COURTS

BY JUSTINIAN

nothing more than "putting him or her under a disadvantage." To have to work in dirty and dusty conditions that women did not have to do was obviously putting the men at a disadvantage. But what about a case where one sex has a choice and the other does not, and there is still no detriment to the latter?

Railway carriages used to have compartments marked Ladies Only. A woman had a choice of travelling with men or avoiding their company, whereas a man had no choice. There was no detriment to the men because of the absence of choice, and so no unlawful discrimination. Supposing on factory premises an employer provided two canteens, one for both sexes and another for women only. The law would not conclude that, other things being equal, there was any unlawful discrimination, even though women had a choice where to eat and the men did not.

The question of detriment to Mr. Jeremiah was complicated by the fact that he and his fellow examiners were paid 4p extra for every hour they worked in the colour-bursting shop as compensation for working in dirty and disadvantageous conditions. Some men might consider the bonus, with a consequential increase in pension rights, makes the dirty work worthwhile. Others might think it was still not worthwhile and complain of discrimination. A detriment exists, therefore, if a reasonable worker would, or might take the view that the duty was in all the circumstances to his detriment.

Lord Denning thought the bonus was not paid because of the difference in the sexes; if it were paid on that basis it would clearly have been unlawful under the terms of the legislation. It was therefore quite irrelevant to the question of unlawful discrimination. "An employer cannot buy a right to discriminate by making an extra payment to the man." Lord Justice Brightman agreed an employer could not turn an unlawful discrimination into a lawful one by compensating for the sexual disadvantage.

But Lord Justice Brandon disagreed. For him such extra payments were always relevant to the question whether there was any detriment or not. He thought the Industrial Tribunal was not merely entitled, but bound, to take account of all the circumstances, including particularly the circumstances under which bonus payments were received.

In Mr. Jeremiah's case the Industrial Tribunal had clearly noted the extra payments and had taken them into account in concluding there was detriment to men examiners at the Ministry's explosives factory, in that the work in the colour-bursting shop was substantially less pleasant than work at the other shops. And the Industrial Tribunal was the judge of all issues of fact.

Trend reversed

This latest pronouncement by the courts on sex discrimination and equal pay cases reverses the trend set by a decision two years ago which seemed to countenance a legal defence by employers based on either or both chivalry and good administration.

In Peake v. Automotive Products* women workers were allowed to finish work five minutes earlier than the men for reasons of safety, to avoid the rush out of the factory gates. It was held that the difference in treatment of men and women with regard to the time of ceasing work did not constitute unlawful discrimination, even if they were more favourable to workers of one sex than to those of the other.

There were two grounds for the 1977 decision, one being that the law does not concern itself with trifles, and a five-minute differential was trivial.

Lord Denning thought the second ground, based upon the interests of safety and good administration, should no longer be relied upon as support for the Peake decision. Lord Justice Brightman expressed no opinion about whether considerations of good administration could provide an employer with a defence.

Lord Justice Brandon did not express a view since there was no finding in Mr. Jeremiah's case that the difference in treatment arose out of arrangements made in the interests of safety or good administration. Thus the point of safety and good administration as a way out of a claim of unlawful discrimination remains alive, even if an employer's chivalrous behaviour cannot exonerate him from the edict of equal treatment. The Equal Opportunities Commission, which financed Mr. Jeremiah's litigation, has scored a notable victory for equality over chivalry.

* [1977] I.C.R. 968

Colt fetches 625,000 guineas

RACING

BY DARE WIGAN

IN SPITE of the running in the £40,000 Champion Stakes won convincingly by Northern Baby, one of three French challengers for this Group One race for three-year-olds and upwards run over one-and-a-quarter miles, interest at Newmarket on Saturday was centred on events in the sales ring at Park Paddocks just before noon.

Everybody concerned with bloodstock breeding had known before Tattersalls Houghton sales of yearlings had begun last Tuesday morning that the draft from Comte Roland de Chambure's Haras d'Etreham in Normandy would come out top of the vendors, both on aggregate and on average, but no one that I met was prepared for the price of 625,000 guineas paid for the pick of the consignment, a bay colt by Lyphard, out of Swanilda, a mare by Habitat, who won two races in France.

Needless to say, the colt was an imposing individual; but even so it stands to reason he will have to win at least one classic race in order to justify the purchase price.

He was bought by H. Thomson Jones, the Newmarket trainer, who was acting for Saudi Arabian interests, and who outbid Mr. Robert Sangster's agent, Mr. W. MacDonald.

Therefore, a European record price of 270,000 guineas paid for a yearling—the full brother of the 1975 Derby winner, Grundy, last Wednesday, was more than doubled within the space of three days. It is an additional, sobering thought that the VAT on the colt totals almost £100,000.

In one matter, the pundits were not to be confounded. Because of the 12 lots submitted by the Haras d'Etreham, 11 were sold for a total of 1,697m guineas, an average of 154,272 guineas per lot. And these figures provide evidence of the money that is to be made in rearing bloodstock provided the capital is available to produce what buyers want and the risks due to barren mares, disease, malformation and accident are avoided.

To revert from events at Newmarket to more mundane affairs, the best bet at today's two Flat race meetings may be Garden Swing in Division I of the Red Hand Fillies Stakes (2.15) at Leicester.

Garden Swing is an attractive filly who has performed well in her two races, at Salisbury and Newbury respectively. Emperor's Shadow, ridden by promising apprentice, B. Jones, is worth an interest in the Squirrel Handicap (3.45). And at Edinburgh, Sir Mark Prescott, who has saddled numerous winners on the course, can land a double with Norfolk Reed in the Longniddry Stakes (3.30) and Welsh Sonata in the Fisherrow Stakes (4.00).

LEICESTER
2.15—Garden Swing***
3.15—Lipstick
3.45—Emperor's Shadow**
4.15—Renovate

EDINBURGH
3.00—Smokey Bear
3.30—Norfolk Reed
4.00—Welsh Sonata*
4.30—Seaway

BBC 1

† Indicates programme in black and white

9.00 am For Schools, Colleges. 10.25 You And Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill At One. 1.45 Fingerbobs. 2.01 For Schools, Colleges. 3.15 Songs Of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Wally Gator. 4.25 Jackanory. 4.40 Battle Of The Planets. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Paddington. 5.40 News.

5.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.55 Angels. 7.20 The Rockford Files. 8.10 Panorama looks at poverty in Britain. 9.00 News. 9.25 Starsky and Hutch. 11.00 Film 79. 11.30 Roadshow Disco. 11.55 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm Scottish News. 2.18-2.38 For Schools. 5.55-6.20 Reporting Scotland. 11.55 Weatherman; News and Weather for Scotland.

Wales — 10.28-10.58 am I Ysgolion. 1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Angels. 7.40-8.10 Mr. Speaker Sir: The Rt. Hon. George Thomas (portrait). 11.55 News and Weather for Wales.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

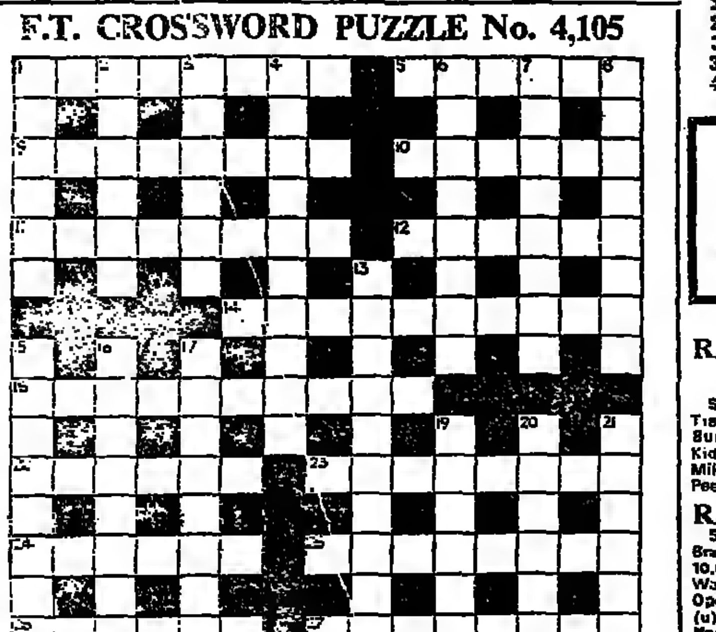
10.05 am The Role of the Nurse.
10.30 Working For Safety.
11.00 Play School (as BBC-1 3.55 pm).
2.05 pm Roadshow Info.
2.15 Let's Go.
2.30 Multi-Racial Britain.
3.00 Making Toys.
3.30 Discovering Patchwork.
4.00 Use Your Head.
6.20 Snooker: State Express World Challenge Cup.
7.20 Tex Avery Cartoons.
7.30 Mid - Evening News, including sub-titles.
7.40 A Diary of Britain.
8.20 The Two Ronnies.
9.00 Alec Guinness in "Tinker, Tailor, Soldier, Spy."
9.45 Horizon.
10.35 Snooker highlights.
11.25 Late News on 2.
11.40 Closedown.

CHANNEL

Channel is the only IBA company transmitting programmes during the present industrial dispute. Details of this local service are given below.

1.20-1.30 pm Channel Lunchtime News, What's on Where and Weather. 5.00 Puffin's Birthday Greetings. 5.05 Clue Club. 5.30 Spiderman. 6.00 Report at Six Extra. 7.00 Young Pioneers. 7.55 African Wildlife. 8.20 Feature Film: "Cover Girls." 9.35 Winners and Losers. 10.05 Channel Late News and Weather. 10.10 Mannix. 11.05 News in French etc.

F.T. CROSSWORD PUZZLE No. 4,105



ACROSS

1 Main room due to the Benedict (8)
5 Worker has no one inside to converse (6)
9 Dress up an anaesthetic in company (8)
10 Self-interest upsets some GI (6)
11 As soon as it is ended, there is a casual examination (4, 4)
12 Whenever you like, there is a fabric (2, 4)
14 Hastens back with the hat—he will give you a break (4, 6)
18 "I am never merry when I hear ——" (M.o.V.) (5, 5)
22 They have their exits and their entrances (6)
23 Double source of surprise (4, 4)
24 One of those who protest their freedom in song (6)
25 Mae, Enid, can be a salutary lesson (8)
26 Illuminates an amusing double bend (6)
27 Was conspicuous in resistance (5, 3)

DOWN

1 Brilliant garden (6)
2 Request left for example to a heartless company (6)
3 Choice, but you may get time without it (6)
4 The examination makes a number a little cross (6, 4)
6 Denial for instance found in a people (8)
7 Does not sign in full (8)
8 Glasses for acrobats (8)
13 Is there stomach remaining for this football position? (6, 4)
15 A new look at Constantinople (8)
16 You can't have colonisation without paying for it (8)
17 The celebrated tipster is to take the first steps (5, 3)
19 Albion produces one who lacks colour (6)
20 Wool finds Ireland in a short time (6)
21 This chap is found on watch (6)

The solution of last Saturday's prize puzzle will be given with names of winners next Saturday.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast
† Medium wave

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (s). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 6.03 Tony Brandon (s). 7.32 Terry Wogan (s). 10.03 Jimmy Young (u). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (s). 2.15 David Hamilton (u). 4.15 Much More Music (s). 6.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 6.45 Sports Desk. 7.02 Music from the Movies (s). 7.30 Alan Dell with The Dance Band Days at 8.02 The Big Band Sound (s). 8.02 Humphrey Lyttelton with The Best of Jazz on records (s). 9.55 Sports Desk. 10.02 Town and Country Quiz. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News; 2.02-5.00 am You and the Night and the Music with Patrick Lunt (s).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture Concert, part 1 (s). 8.00 News. 8.05 Concert, part 2. 9.00 News. 9.05 This Week's Composer: Faure (s). 10.00 Singer's Choice. 10.30 Kenneth Leighton cello and piano recital (s). 11.20 BBC Scottish Symphony Orchestra, part 1 (s). 12.10 pm In Short (talk). 12.20 BBC Scottish Symphony Orchestra part 2 (s). 1.00 News. 1.05 BBC Lunchtime Concert (s). 2.00 Music for Organ (s). 2.40 Matinee Musicale (s). 3.40 New Records (s). 5.25 Homeward Bound (s) including 5.45-5.50 News. 6.15 At Home (s). 7.10 Scottish National Orchestra, part 1: Nielsen, Beethoven (s). 8.20 Black Christianity in South Africa. 8.40 Scottish National Orchestra, part 2: Nielsen (s). 9.20 English as Broadcast or six ways of saying Pakistan. 10.30 Russell Burgess: A tribute with music by Britten (s). 10.55 Music for Harpsichord (s). 11.25 Jazz in Britain: Samuta (s). 11.55-12.00 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Roy Gosling with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 The Small Back Room. 11.00 News. 11.05 The Countryside in Autumn. 11.50 Let's Get Rid of . . . 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre (s). 4.45 Short Story. 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The small, intricate life of Gerald C. Potter. 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 Enquiry (s). 8.15 Near Myths. 8.30 Kaleidoscope. 8.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (s). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

London Broadcasting

5.00 am AM with Bob Holness and Doug Cameron. 10.00 The Brian Hayes Show. 10.0 pm LBC Reports. 3.00 George Gale's 3 o'clock Call. 4.00 LBC Reports. 8.00 After Eight Special. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Monty at Large. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Adrian Love's Open Line (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (s). 11.00 Tony Myatt's Late Show (s). 2.00 am Peter Young's Night Flight (s).

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards 240 5258. Reservations 836 3161. ENGLISH NATIONAL OPERA. Tonight & Wed. 7.30 The Marriage of Figaro. Thurs. & Sat. 7.30 Patience. 104 balcony seats avail. from 10 am on day of perf.

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THEATRES

ADELPHI. CC. 01-836 7611. ...

ALBERY. ...

ALDWYCH. ...

AMBASSADORS. ...

APOLLO. ...

ARTS THEATRE. ...

ASTORIA. ...

CAMBRIDGE. ...

CHICHESTER. ...

COMEDY THEATRE. ...

CRITERION. ...

DRURY LANE. ...

DUCHESS. ...

DUKE OF YORK'S. ...

FORTUNE. ...

GARRICK. ...

GLOBE THEATRE. ...

GREENWICH THEATRE. ...

HAYMARKET. ...

HER MAJESTY'S. ...

KING'S HEAD. ...

LYRIC HAMMERSMITH. ...

LYRIC THEATRE. ...

MAYFAIR THEATRE. ...

NATIONAL THEATRE. ...

OLD VIC. ...

OPEN SPACE. ...

PALACE. ...

PALLADIUM. ...

PHOENIX THEATRE. ...

PICCADILLY. ...

PRINCE EDWARD. ...

PRINCE OF WALES THEATRE. ...

QUEEN'S THEATRE. ...

QUEEN ELIZABETH HALL. ...

RAYMOND REVUEBAR. ...

ROYAL COURT. ...

ROYALTY THEATRE. ...

SAVOY THEATRE. ...

SHAFTESBURY THEATRE. ...

STRAND. ...

ST. MARTIN'S. ...

TALK OF THE TOWN. ...

VAUDEVILLE. ...

VICTORIA PALACE. ...

WAREHOUSE. ...

WESTMINSTER. ...

WHITEHALL. ...

WINDMILL. ...

WYNDHAM'S. ...

YOUNG VIC. ...

CINEMAS

ABC 1 & 2 SHAFTESBURY AVE. ...

CLASSIC 1, 2, 3, 4. ...

CINEMAS ARE CONTINUED ON PAGE 23

THE ARTS

Paris theatre

No Man's Land

by NICHOLAS POWELL

Roger Planchon, whose work usually seduces or scandalises the French, is attracting all-round praise with his new production of Pinter's *No Man's Land*, playing at the Théâtre du Gymnase Marie Bell in Paris.

Planchon's vision of a Hampstead living room is singularly chilling. The set (by Ezio Frigerio, now preparing scenery for Planchon productions of *Athalie* and *Dom Juan*) is bare; three glacially blue walls, a lace-curtained picture window, a black leather sofa and two black leather armchairs. The effect is halfway between a doll's house and a psychiatrist's consulting room.

The floor is made of translucent blue tiles, lit from underneath. Mounds of iron junk are barely visible between the sides of the set and the walls of the theatre. After Spooner and company have drunk their final grim toast the set lifts into the ceiling; piles of empty champagne bottles clatter on to the stage and a dreamlike, orange landscape contrasting cruelly with the blue living room is revealed on the back stage wall.

Planchon directs his admirable cast (Michel Bouquet is Spooner, Jean Bouise Briggs, Andre Marcon Foster and Guy Trejan Hirst) in a restricted space and has calculated every gesture and movement for maximum effect.

Bouquet's decrepit and pickled Spooner, who says he gets his strength from never being loved, manages Pinter's silences and platitudes superbly well, shuffling through his senseless stories and hopeless recollections.

Parts of the play are even more despairing in French. The wartime recollections of Spooner and Hirst, for example veer in translation from the banal to the grotesque—no Frenchman would speak of having spent "une bonne guerre."

The Parisian audience reacted nervously to Planchon's production, remaining silent during the grimmest humorous moments of Act 1 and giggling at the unfunniest parts of Act 2.

Other new Paris productions pursue the theme of unhappy love. René Dupuy's ungainly version of Troilus and Cressida at the Théâtre Fontaine does nothing for Shakespeare's play by transforming it into a sort of boulevard romp. Dupuy pushes the characters into caricatures and creates an atmosphere of farce which he cannot sustain.

The Comédie Française, apart from continuing its unorthodox production of Molière's *Dom Juan* has taken a very classical look at Marivaux' *Les Fausses Confidences*, directed by Michel Etcheverry and de Musset's *Il faut qu'une porte soit ouverte ou fermée*, directed by Raymond Gerome.

The de Musset play, which was first presented at the Comédie Française in 1848, 15 years after the author's unhappy romance with George Sand, is a dialogue between a cool Marquise (Albert Aveline) and an aspiring Count (Michel Duchaussoy). The play is based on the idea that elegant courtship masks and falsifies desire rather than expressing it. The Marquise is a realist, hardened by her admirers' salon performances, the Count — "Oh Marquise you are mocking me" — a vulnerable wooer given to beating around the bush.

The brilliantly witty dialogue — with the Marquise scoring all the points — ends in her capitulation and joy for the Count. The play, which raises more questions than it cares to answer, is like a piece of porcelain, exquisite but essentially decorative.

Les Fausses Confidences also turns around courtship as a power game. Dorante (Simon Eine), the admirer of a wealthy widow, Araminte (Denise Gencel), lands a job as her steward thanks to the connivance of his valet Dubois (Alain Pralon). The valet, an 18th century Pandarus with more brains than his master, softens Araminte's heart. But the maid Morton (Paule Noelle) falls in love with Dorante. Meanwhile Madame Argante, Araminte's mother, has marriage plans for her daughter involving a Count . . .

The resulting social hayhem would be mere "marivaudage" were it not for the author's insight into the pain of frustration. Dorante and Araminte's undeclared love staggers to a successful conclusion against a background of greed and manipulation. Marton is touching in her unrequited crush, as is Araminte in her determination to settle for love rather than social convenience. The weakness of the production lies in the Dorante-Dubois partnership. The master comes across as being merely inhibited, the valet as a sympathetic fellow scheming for kicks.

Jacques Lasalle's production of the same play at the Théâtre Gerard-Philippe as part of the Festival d'Automne has a harder and more political vision.

Dorante (Jean-Luc Palies) is more of a social climber than victim of infatuation, and cynical enough to seduce the maid Morton (Pascalle Bardet) to further his ends. With the accent placed firmly on money and power the valet Dubois (Maurice Garrel) becomes a far more sinister figure and Araminte (Emanuelle Riva) a victim manipulated on all sides.

Araminte's mother Madame Argante (Isabelle Sadoyan) is shown as a bourgeoise who, having hoisted herself up the social ladder thanks to her daughter's first marriage plans to embellish her career by acquiring a "titre de noblesse."

In comparison with the somewhat drab scenery of the Comédie Française the Lasalle production of *Les Fausses Confidences* features, significantly, an enormous staircase in its set.

Threat to future of Bournemouth orchestras

A warning that the future of the Bournemouth Symphony Orchestra and Sinfonietta is threatened by the Government's squeeze on local authority spending has been issued by the South and West Concerts Board, a consortium of local authorities which supports the orchestras with grants.

The Western Orchestral Society, which manages the orchestras, is expecting a deficit of £78,000 this year which will virtually wipe out its financial reserves. It needs an increase in grants from all sources, including the Arts Council and local authorities, of some 28 per cent next year, if the Society is to break even.

But local authorities have made clear they are unlikely to be able to do much more than hold the value of their 1979-80 level of support with allowance for inflation. The Arts Council view is that its grant towards the BSO—£495,000 this year—should be matched by local authorities.

The Concerts Board has decided to write to the Prime Minister, West country MPs, the Arts Council and local authority associations stressing their deep concern over the situation and urging the re-allocation of money for the arts to enable the BSO to continue to serve the region.

ROBIN REEVES

Cheryl Campbell and Peter Egan — Leonard Burt

Lyric Hammersmith

You Never Can Tell

by MICHAEL COVENEY

The Queen opened London's newest theatre last Thursday night and the Press piled in on Friday. "This" said a regular visitor to the old Lyric "is what a theatre should look like." Frank Matcham's splendid Victorian plaster-work has been refurbished and stuck to the interior of a brand new auditorium like the icing on a concrete cake. The old Lyric closed finally in 1966, but was not demolished until 1972. The plaster-work was stored in a disused hangar at Heathrow and now brings a touch of personality to a grim complex nestling in King's Street, just off Hammersmith Broadway. The auditorium has been designed around the proportions of the plaster-work, thus recreating Matcham's snug 1895 interior of perfect sight-lines and pure acoustics.

The whole project has been sponsored by the Hammersmith and Fulham Council to the tune of £3.2m. Public sponsorship will be needed to top up Hammersmith's contribution and ensure the theatre's future life. If the venture stutters, it will be through no fault of David Giles's opening production, which is a splendid revival of one of the few Shavian comedies that, despite its arguments, never seems to date. The effect of the evening is cumulative. In the stickier patches of the first two acts you can, after all, just sit back in the comfortable new seating and drool over the decoration.

The strength and precision of the playing proves yet again than an *ad hoc* ensemble is just as capable of good team-work for this sort of comedy as an established troupe. At the centre, there are Peter Egan as Valentine and Cheryl Campbell as Gloria playing one of Shaw's best love scenes outside of *Man and Superman* with real fire and attack. Sian Phillips is the maternal authoress lately returned from Madeira with the problem of pacifying her children's demands as to who is their father, as well as that of making the New Feminism sound fresh and convincing. She does admirably. And, on the fringes in the seaside hotel is one of Shaw's happiest creations, William the Waiter, known locally as "balmy Walters." Paul Rogers offers a superlative study in discreet obtrusiveness without once resorting to the flamboyant scene-stealing of Ralph Richardson in the role thirteen years ago.

David Waller is the salty yacht-builder Crampton, the father who poses a threat to the twins' freedom by revealing his identity. And, perhaps best of all, there is Frank Middlemass, face like a squashed fruit, bringing a magisterial comic authority to all he does and, especially, the great speech about tolerating those who can only express love through misunderstood fits of bad temper and even drunkenness. The designs by Kenneth Mellor are handsome in the extreme and the whole evening brought to crackling life by the arrival of William's son, the overbearing QC, to sort out the legal details. In this minor, often fatal role, John Bryans is quite outstanding.

Mention must be made, too, of the delectable Lynsey Baxter as a precocious twin and of Mr. Rogers, having patiently taken orders for drinks in the last act, relinquishing the stage with what he is, as a matter of fact, in search of—a large round.

Elizabeth Hall

ECO/Rattle

by RONALD CRICHTON

Friday's good concert by the English Chamber Orchestra, Simon Rattle conducting, included polished and sympathetic performances of two nearly contemporary French scores. Ravel's *Mother Goose*, written in 1908 for piano duet, then orchestrated, finally expanded into a ballet, slightly pre-dates Roussel's *Spider's Banquet*, conceived as a ballet for the same impresario, Jacques Rouché, who staged the Ravel work (in both cases at the Théâtre des Arts in Paris). They made a fascinating contrast — alike in general style, different in flavour and personality. Ravel half-conceals feelings of child-like intensity beneath conscious artifice: Roussel is a cool, shrewd observer, evoking the ants' efforts to move a rose-petal, the death of a butterfly caught in the spider's web or the emergence of mayfly from chrysalis with swift, certain touches that don't disturb the formal succession of two-bar periods.

Of *The Spider's Banquet* we heard the "symphonic fragments" extracted from the much longer full score by the composer. They make an excellent short concert piece (the nocturnal flute and strings opening is as magical as similar passages in Debussy and Ravel) but it is time we heard the whole work. Ravel's *Mother Goose* on the other band was given not in the usual suite form but in full, with the additional Prelude and Spinning Dance, also the linking passages Ravel wrote for stage purposes. In the concert hall, there is some discrepancy between their rhapsodic, horns-of-elfland-style and the formality of the five dances. The balance is not quite right. All the same, one can understand a conductor with the ECO at hand being unable to resist playing them.

Between these exquisite exercises, Elgar's Introduction and Allegro was played in such a fine-tempered way that his world did not feel so far removed from the French one as one expected. The full flood of sonority in the tuttis and the back-and-forth dialogues between quartet and full strings made as much effect as they probably can in this hall. In Mozart's D major Violin Concerto K218 the soloist was the Japanese Mayumi Fujikawa. She brought to it faultless purity of tone and (especially) intonation, but missed something of the youthfulness, humour and unpredictable lyricism.

Lloyds Bank to sponsor 1980 Leeds musicians competition

A public concert with full orchestra, £2,500 in prize-money, trophies and future engagements are among the benefits offered to young musicians in the new Leeds 1980 National Competition for Young Musicians.

For the first time Lloyds Bank will sponsor the competition—formerly the Leeds National Musicians' Platform — to the tune of £6,000.

Preliminary public performances will be held in the Purcel Room in London from September 22 to 25 and 18 entrants will go forward to semi-finals in Leeds on November 12 and 13. Four finalists will play in a public concert with the *Philharmonia Orchestra* in Leeds Town Hall on November 15.

The triennial contest began in 1974 as a showcase for young musicians. It is open to professional singers, under 30, and performers on the violin, viola, violoncello, flute, oboe, clarinet, bassoon, horn, trumpet and also piano trios. Top prize is the Duchess of Kent Gold Medal, £500, an engagement for a Lloyds Bank concert in London and £50 worth of records.

New Half Moon

Hamlet

by MICHAEL COVENEY

It is seven years since I welcomed the opening of a new theatre, the Half Moon, in a converted Whitechapel synagogue. Those premises are to be vacated within two years in favour of another location even closer to my childhood stomping ground: a former Welsh Calvinist chapel in the Mile End Road, fifty yards east of Stepney Green tube station. This new, exciting production of *Hamlet* is, as it were, a sort of christening party.

I used to live in Jubilee Street on the other side of the main drag. Not much of it left now, with council flats, hoardings and Chinese take-aways filling the landscape. The Half Moon management is committed to reviving the idea of a people's palace in these dismal surroundings and all one can say at this stage is, power to the collective elbow. The Half Moon's reputation is secure. They have learned a lot of lessons the hard way and, in recent years under the direction of Rob Walker, never lost sight of the need of small-scale production to aim high and never fear the fall.

The present offering has the audience on its feet, literally, from start to finish. It owes much in abrasive physical style to the influence of the Glasgow Citizens: Gertrude (Maggie Steed) is a fraught and topless grand dame in broken-down red; Claudius is a bare-chested but badly articulated dummy; Ophelia (Judy Lloyd) a heavily corseted talking-head who finds real pathos and, at last, physical expressiveness, in the mad scene; Polonius (Robin Hooper) a painted busybody in heavy make-up and constrictive ruff.

Too often it is forgotten that *Hamlet* is, above all, an exciting play. It is also about the main character's state of mind and, to that extent, it matters not whether the Dane is played by a man or a woman. Sarah Bernhardt knew that and so, by all accounts, did Mrs. Siddons. Frances de la Tour is an actress whose sex has never figured in her performances. As Mr. Walker's production is anyway androgynous, Miss de la Tour's femininity is never a problem. She is a supremely intelligent artist and that is the chief requisite of any Hamlet.

We first see her shrouded in black, insolent and outspoken. Gathering stride, she assumes the sleek haired image of a sort of Bob Geldof of Elsinore, dealing with Rosencrantz, Guildenstern and Polonius with consummate swagger and authority. She continually strikes straight to the bone of each scene, expressing her intimations of mortality in England while twirling Yorick's skull on her little finger. She decimates the opposition by sheer intellectual force. It is a wonderful performance.

English audiences are unaccustomed to being shoved around. "Now I am alone" says Hamlet, but the shifting action finds the man from the Evening News scribbling notes at her feet. In the fight with Laertes (Matthew Robertson), the New Statesman reporter nearly lost his head in the fray. Horatio's scramble for the poisonous cup resulted in a red spray on my spectacles. Seriously, though, there are stunning visual coups: the Ghost (Andrew de la Tour) appearing high on the battlements, almost in the chapel roof; the irruption of urchin players cutting a clean swathe through the quiescent throng; Miss de la Tour arriving for Ophelia's burial transfigured in white, her hair washed and surprisingly auburn.

The set by Mick Bearwish is an evocative maelstrom of drapes, rope and, in one corner, a large wooden throne. The costumes of Iona McLeish are a riot of slashed and colourful invention. No Fortinbras, no opening scene on the battlements, not much of the Players. But an invigorating, challenging evening that deserves to attract the locals as well as the predictable Hampstead contingent.

Frances de la Tour — Leonard Burt

Wigmore Hall

Quartetto Esterhazy

by DAVID MURRAY

The tide of "authenticity" is rising, and now it laps at Mozart's feet. He would have been surprised—he had no qualms, after all, about re-orchestrating Handel's *Messiah* for contemporary tastes. It is conventional now to play Mozart's symphonies with a reduced body of strings, and yet he was delighted at one guest performance to find 20 first violins at his disposal. On the other hand, modern manners in playing may conceal or distort just the main expressive features of a style; and perhaps the very fact of our continuous tradition of Mozart-playing blinds us to gross compromises within it. When the quest for authentic sound and style is directed toward Zelenka or even J. C. Bach, we can listen to the results without *parti pris*. Re-created Mozart—"the music as it must have sounded in the days of its composition," in the tendentious words of the Esterhazy programme—is more vexatious.

On Friday the Quartetto played only Mozart, on unmodernised instruments and (much more important) "following the rules of rhetoric, a discipline to which the 18th century attached much value." Indeed, they played the 18th century as though there were never going to be a 19th. Their style is immaculately consistent: crisp, small-toned, transparent, unlingering, austerely parsimonious with vibrato, especially in inner parts. We were forcibly reminded that the quartet used to be a purely domestic medium.

And Mozart's music? Intuitive reactions: the early Flute Quartet K285 (with Stephen Preston on gentle traverse flute) sounded silvery and perfectly convincing, the solo wind integrated into the texture far better than is possible with modern instruments. The mature string quartets from the "Haydn" set, K458 and 464, sounded like J. C. Bach. I exaggerate, of course, and the performances were eminently musicianly, not desiccated; but there remains a question about expressive constraints to which no quick answer is possible, nor any decisive one.

It is essential to keep separate several questions, and impossible to do so. How much does period tone-colour matter in a particular music? How much of a shaping role did the limitations of an instrument play in music composed for it? Insofar as an etiquette of execution can be established — bowing and blowing techniques, for example — how far did a given composer respect it (especially if he was himself a performer)? Above all — and these are the most speculative and crucial questions for performance — how much rhythmic flexibility (disparity between the written arithmetical metre and actual rhythm) and what amplitude of dynamic range (both in large contrasts and in local expressive swells) were presupposed? Musical notation doesn't reveal those things. The Quartetto Esterhazy returns conservative answers to the latter questions. I suspect that the most striking musical features of their Mozart work arise from that. They may be right; but I strongly doubt that historical research could be sufficient to prove them so.

SOCCER BY TREVOR BAILEY

Curriculum may need reviewing

THE MOST remarkable feature of the match at Upton Park on Saturday was that over 25,000 turned up to watch, which was not only the second highest gate in the Second Division, but also bigger than many in the First.

It shows that the supporters have remained uncommonly loyal, and eternally optimistic, because the West Ham who lost 2-1—and deserved to lose—to Luton Town must be just about their worst team since the war.

Over the years followers of West Ham have learned to accept, and sometimes even expect defeat, but at least they usually had the consolation of seeing their side play attractive football.

On this occasion there was no such compensation; a shaky back four, a largely non-existent, non-creative half-back line and toothless forwards would be an apt description. Yet only two seasons ago West Ham ended an often nail-biting but never dull stay of about two decades in the First Division.

They have now acquired the look of Second Division regulars, with relegation appearing far more likely than return to the elite, where a club which can command such gates, in both good and bad days, must rightly belong.

What has gone wrong? West Ham have been unlucky with injuries, but 10 goals from 11 League matches, fewer than any other team in the division, is not promotion form, while everybody is aware that adequate reserve cover is an essential.

Although this can be a problem for those clubs, such as Luton, who are engaged in a permanent battle to maintain solvency, West Ham have the money. In addition, at the end of last season, having failed to bounce back instantly, they unloaded nearly an entire team, all with considerable first team experience. On Saturday, one felt that some of the departed must have been an improvement on those who performed.

A clear-out at Upton Park was understandably necessary, but the scale of it can be questioned, so it does raise an intriguing, and rather disturbing point.

Although the club have produced more good and highly promising young players than most, such as Allen who scored a spectacular consolation goal, how many of them, having established a place in the first team have either stood still, or gone back? Rather too many.

Mervyn Day, who promised to be the next England keeper, Kevin Lock, Alan Curbishley, John McDowell, Geoff Pike, and Pat Holland are just some who have never quite lived up to early expectations.

It is also strange how so many of the players bought by the club have proved less successful than expected — Bobby Ferguson, Tommy Taylor, Bill Jennings, Derek Hales, David Cross, Alan Taylor, Graham Paddon and Keith Robson, to name a few.

Although in some cases this can be put down to poor signings, this cannot be said to apply to others.

This suggests that the club is failing to maximise on its imported talent, and at the same time must bear some of the responsibility for those home-grown products who go so far and no farther, as well as for those who visibly decline before their time.

Could it be that the curriculum at the West Ham academy needs to be reviewed?

On Saturday, there was a noticeable shortage of the following footballing fundamentals: first-time passes, accurate centres, changes of pace and direction and real control.

Effort, pace and spirit are essential, but not enough on their own to achieve results against good opposition, and Luton have developed a pleasing style.

The biggest difference between the two sides was in midfield, where Luton's Grealish, West and Hill regularly received the ball out of defence, and created many chances for their forwards by their intelligent distribution.

The return of Trevor Brooking will obviously make a big difference to West Ham. But it must be rather a waste of real talent having to play in a team of such limited ability.

Looking at the situation from a national, rather than a club angle, the best thing for England for the football of Brooking himself would surely be for him to join a club of the calibre of Liverpool, Forest or Arsenal.

RUGBY UNION BY PETER ROBBINS

New spirit rises at Iffley Road

FOR THOSE who have a regard for tradition, one of the saddest facts of rugby in the 1970s has been the decline in standards at Oxford University Rugby Club. The all-too-familiar gibes of "boys playing men" have had a bitter ring of truth.

At the same time, Cambridge have brimmed with talent. So much so that they have won six of the past seven Varsity matches.

It appears that Cambridge senior common rooms are far more sympathetic to the sportsman than those at Oxford. Oxford dons may admit privately that they would like to see more places given to the all-rounder, but none, it seems, will say it publicly.

Over the years, Cambridge have had a succession of good post-graduate rugby players, particularly from Wales, and of course, several senior former Blues have great influence in the game's hierarchy.

But there is a new spirit abroad at Iffley Road under this season's captain, Enevoldson. Thanks to the generosity of the Bowring group, the pavilion has been refurbished. Morland's Brewery has chipped in to provide a bar and a new medical room, and the Iffley Road Club has been formed. The club has invited former Blues to a lunch prior to Stanley's Match in November to see the alterations, but, more importantly, to rekindle their interest in Oxford rugby.

An older hand

At present, Enevoldson is chairman of the club, but it really needs an older person with good university and town connections to take the post.

As Stanley's Match is to be a social occasion, perhaps the trustees would be advised to invite the England Under-23 side to represent the guest XV. Last year's match was utterly pointless, because of the disparity between the two sides. What Oxford will need is an acceptable challenge, not the misery of the chopping-block.

There are several other laudable innovations this season, such as a 16-page programme, and a fortnightly publication called Blueprint, which I hope will be sent to all former players.

Enevoldson is determined that the ground should come to life. He persuaded many college captains to have their games played on Saturday morning to enlist support for the match against Richmond in the afternoon. Enevoldson is providing the intelligence and dynamic leadership that has been lacking for so long in Oxford. He cannot do it alone, and the club are in urgent need of support.

It was encouraging that Oxford should beat Richmond 9-3 after what can best be described as a gritty performance. There were three freshmen in the side. One of them, the No 8, Mallett, made a handsome contribution and catalysed the others with his aggression. Bray, one of the flankers, did some marvellous tackling.

Although Oxford were invariably pushed back, significantly as the game progressed, they consistently arrived in greater numbers at the breakdown. They did not cave in before Richmond's greater strength.

Brett, last year's scrum-half, is still up, but Morgan did so well that the former Blue may struggle to get back in. He and Clark, the fly-half, read the game well.

Oxford have the ability to cut loose behind, but their greatest asset is their defence. Halliday and Thomas knocked over Winder and Preston time and again. But while defence may save games, attack wins them. Oxford will have to bring Quist-Arcton further into the game, or, more to the point, he will have to involve himself to a greater extent.

Richmond have a useful pack, based on two strong props, Shortland and Dickinson. Hess and Ralston are a hefty pair in the second row, but only Greenwood in the back row showed a real sense of position and aggression.

Richmond's problems are really in fitness and in realising the importance of tactical flexibility. Rugby is very much a game of cause and effect, and the causes of Richmond's downfall were repetitious use of some good possession.

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Carrington's uphill task

THE Lancaster House conference on Rhodesia has survived its most momentous week so far. It opened with an ultimatum from Lord Carrington to the Patriotic Front leadership of Mr. Robert Mugabe and Mr. Joshua Nkomo. It closed with what amounted to a public climbdown by the Patriotic Front in the face of Lord Carrington's threat to proceed towards a bilateral deal with the *de facto* Salisbury Government headed by Bishop Mozorewa.

At the end of it all Lord Carrington got his constitution, and the Patriotic Front leaders went back to the negotiating table. But there are lessons to be drawn from last week. The first is that Lord Carrington's so-called "second class solution"—a bilateral deal with Bishop Muzorewa without the participation of the Patriotic Front—is in an important sense not a solution at all. The thrust of Lord Carrington's strategy since he took office in May has been to return Rhodesia to legality on a basis which the Commonwealth and the international community as a whole would find acceptable, and to end the Rhodesian war.

Election

A bilateral deal between London and Salisbury will not achieve these aims. As a fall-back solution, in circumstances where the Patriotic Front digs in its heels, it is an important ace in Lord Carrington's hand. He showed last week that he is ready to play it, and no doubt he will threaten to play it again. But if the talks break down and Lord Carrington is left with his second class solution, the war will continue, important sections of Commonwealth and international opinion will not back it, and Britain's relations with and investments in Black Africa will be in jeopardy.

The second lesson is more complex. The Lancaster House talks are being conducted at several parallel levels. The Patriotic Front, for instance, is both negotiating an end to the war and preparing its election campaign. In one sense, the issue that has held up the conference for the past two weeks—land and the ability of a post-independence Zimbabwe Government to pay for expropriating it—has nothing to do with discussions on a constitution. But in another sense, the PF leaders have been talking to the electorate in Rhodesia. Ten days of hard and very public negotiating on such emotive issues as land and citizenship will have done their election prospects no harm.

Now, the talks enter their most difficult stage. It has taken six weeks to agree a constitution. The guidelines for that constitution were agreed in all their essentials at the Commonwealth Conference in Lusaka. The constitutional principles had the imprimatur of Presidents Nyerere and Kaunda. There is no such blueprint for the transitional arrangements.

Power conflict

As the issues come and go—how the elections will be conducted, what will happen to the warring armies, how the country will be run during the transition—the public debate will be conducted in terms of principles. But the real conflict will be about power, about which black leader or group of leaders is to inherit independent Zimbabwe. For Lord Carrington's strategy to work, both Bishop Muzorewa and the Patriotic Front have to sign the final agreement. They will only do so if each group believes that the agreement *creates conditions* in which it will win the election. One or the other of them, however, will eventually lose. So for the conference to succeed, one of them has to make a serious miscalculation. Just to state it in those terms is to underline the size of the task Lord Carrington now faces.

If, against all the odds, agreement on the transitional arrangements is reached, then the role of Britain as the responsible authority becomes more difficult than at any time since UDI.

Neutral presence

Britain has already accepted in the Lusaka agreement responsibility for the civil side of the transition. That should be the limit of her commitment. Almost certainly, some kind of "neutral" police or military presence will be needed to help guarantee the integrity of the transitional period and of the electoral process. Under no circumstances should Lord Carrington offer to provide a purely British police or military force for this period. Britain has neither the power nor the political will to act as policeman in southern Africa in 1979, however good her motives might be for wanting to do so. Any police or military presence must be a multi-national one.

The maximum military commitment that Lord Carrington should make on behalf of Britain is to participate in such a multi-national policing effort.

The drive for lower air fares

ON WEDNESDAY in London the UK Civil Aviation Authority is being given the opportunity not only of eventually rewriting the airline route map of Western Europe, but also of reducing dramatically the levels of air fares. The opportunity comes from the start of public hearings into applications by five UK independent airlines for rights to fly scheduled services from Gatwick to many destinations on the Continent.

British Caledonian has asked for 20 cities to be added to its Gatwick-based network. Laker has asked for Skytrain-type rights to 35 cities, and for rights between many Continental cities also, adding up to some 666 routes in all. Britannia wants to sell to scheduled passengers up to 50 per cent of the seats on its holiday charter flights between over 20 UK and more than 60 Continental destinations. Dan-Air and Air UK (the new airline incorporating Air Anglia and British Island) are more modest in their expansion plans, but none the less want more routes into Western Europe.

Gatwick rights

Each of these companies is seeking something different, but all their bids have one thing in common—they involve substantially cheaper fares, ranging up to 40 per cent and more in some cases. As part of their bids, the UK independents are also seeking the annulment where necessary of British Airways' rights to *fly from Gatwick*, on the grounds that the State airline has failed to use those rights, preferring to serve most of Europe from Heathrow. The independents argue that routes should be allocated on a "use it or lose it" basis, and should not be held unused merely to exclude others.

The bids can be seen first as a major opportunity for the Government through the Civil Aviation Authority to achieve a long-held ambition—greater use of Gatwick, with more international scheduled flights into that airport, so as to relieve much of the pressure on Heathrow (where saturation of 30m passengers a year is expected by late 1980).

Secondly, and more significantly, the bids can be seen as a British initiative to achieve in Europe a breakthrough in cheaper air fares, akin to that which followed deregulation in the U.S. It has long been argued that air fares in Western Europe are far higher than those in domestic U.S. for equivalent distances, and that with the introduction of cheap Skytrain and Stand-by flights on the North Atlantic, it is now cheaper to fly from London to New York than to some more distant European points.

It is significant that this initiative has stemmed from the UK independently, with their long history of innovation in air transport, including such things as the package holiday by air and the Laker Skytrain. To be fair, British Airways has often been innovative, too, and has tried to cut air fares in Europe where it can, by using special excursion fares, although hitherto progress has been slow because of the reluctance of other European-based airlines and their Governments to follow the UK lead.

With an air transport market expected to grow at anything between 7 and 9 per cent a year through the 1980s, despite economic difficulties in some countries and soaring fuel costs which restrict the airlines' room for manoeuvre, the UK independents believe that demand will be there, especially if cheaper fares can be achieved.

The problem in achieving them is likely to be not so much the UK Government's *attitude* but that of its European counterparts.

EEC policy

This is where the EEC itself has a major role to play in pressing reluctant governments and airlines to follow the UK's lead. Mr. Richard Burke, Transport Commissioner, has made it plain he wants to see cheaper fares in Europe. Earlier this summer, the Commission published its views on air transport policy which favoured cheaper fares, less regulation and more air services. Sir Freddie Laker has hinted that if his own plans are thwarted, he will consider going to the European Court. It should not be necessary for him to do so if the EEC fulfils its own avowed intentions.




Pictures by Roger Taylor and Hugh Routledge

Chairman of Times Newspapers, Sir Denis Hamilton (left), Lord Thomson, Mr. Marmaduke Hussey, managing director of TNL and Editor of The Times, Mr. William Rees-Mogg (right).

Times past and Times to come

BY JOHN LLOYD

IN THE 326 days in which neither The Times nor the Sunday Times have published, many — crucially Times editor, Mr. William Rees-Mogg — have emphasised the political and philosophical dimensions to the newspapers' closure. The fact that they are part of the newspaper industry and that they have great stature within that industry give importance to these dimensions. But months of gritty, detailed and unusually public bargaining over wages and conditions have ensured that the material conditions underlying these more elevated matters slowly asserted their primacy.

Times Newspapers went off the streets because they could not be published regularly and at a consistent and reasonable profit. They have stayed off the streets for nearly 11 months as management and unions grappled over the terms on which such objectives might be secured. They will reappear on the streets with their publication underpinned by a series of agreements which carry no guarantee of improving the situation, which have been purchased at a cost of between £30m and £35m, and which are a graphic testimony to the relative strengths of management and unions in a Fleet Street cranking itself rustily into the electronic 1980s.

The pre-closure losses in copies and editions certainly *justified action*. *In 1977*, the profit of around £1.7m was £1.1m less than it should have been due to loss of copies. In the 11 months of publication in 1978, loses to profit were £2.7m, while copies lost totalled 12m. The Sunday Times was worst hit, losing 8m copies: it lost part of its run 26 times, and twice did not appear at all. In the first quarter of 1978, the papers lost 20 per cent of their output.

The reasons for these losses, high even by contemporary Fleet Street standards, are well rehearsed and common to most national newspapers. The print chapels are strong, numerous and independent of national leadership; management has often been inept or even absent; the product is immediately vulnerable to chapel action. Ensuring constant production in the face of these elements is a delicate task: when taken together with a generally recessionary or stagnant market overhung with what is, to the printers, the threat of computerised equipment, the delicacy of the balancing act is greatly enhanced.

TNL added three twists of its own. First, many of its printers, in 1978, were near the bottom of the Fleet Street wages league largely due, according to TNL management, to a rigid adherence to Government pay policies while less patriotic journals conspired with their chapels to breach them. Second, it was — again according to the management — more than usually overmanned in many departments.

A Fleet Street first

Third, and originally most important, TNL wanted to achieve a Fleet Street first by gaining acceptance, by the National Graphical Association whose members set the newspaper copy, of the principle of "single keystroking": that is, that journalists and advertising staff should be allowed to set some of their own material. Thus when, in early May 1978, Mr. Marmaduke Hussey, TNL's chief executive, laid out his objectives, they were on a very broad front.

"1. The common purpose will be the absolute continuity of production. All arbitrary restrictions will be lifted. No unofficial action will be taken. Dispute procedures and current agreements will be honoured. Overtime will be worked as necessary to maintain full and uninterrupted production.

"2. We negotiate a fast-acting and effective disputes procedure.

"3. We negotiate, in consultation with union representatives, a general wage restructuring. This will be based on new technology and systems, and on efficient manning levels in all departments. A considerable improvement in earnings and conditions could accrue, but only on an agreed basis of savings shared between the staff and the company. Special attention during this exercise will be devoted to the particular concerns of the lower paid."

What, then, has been achieved? In the case of some agreements, it is too early to know in detail. What follows is a provisional list.

"Single keystroking" has *not* been achieved: Lord Thomson took it out of the arena in June in order to get negotiations with the NGA restarted. The NGA will return with an intention to talk about new technology, including "single keystroking," but only to talk. The union has not ruled out flexibility on the issue in the future, but Mr. Bill Booroff, the union's London regional secretary, has said that such flexibility is likely to be "five or 10 years away."

That is not to say that new technology will not be introduced: it already has been, and training of printers on it has already begun. The most important component of it is a computerised typesetting system: other automated equipment will be phased in to the process, packaging and advertising sections. What has been achieved in this regard is agreement to operate a system similar to that now operating, after numerous and expensive teething problems, by the Mirror Group, and which is about to be introduced into the Observer and Express Newspapers.

The long-term benefits of a successful introduction of computerised technology by TNL — whoever presses its buttons — could be considerable. Mr. Harold Evans, editor of the Sunday Times, yesterday hinted at them when he said that he would have much greater scope for editionalising: his readers in Surrey would no longer be burdened with the Scottish football results, but would be given information more in keeping with living in Surrey.

Experience of major newspapers in the U.S., all of which have now introduced computer systems, backs up Mr. Evans' optimism. Faced with growing suburbs and, like the British "quality" Press, heavily dependent on advertising, U.S. papers used integrated computer-based systems to sectionalise their papers according both to geography and income (often the two co-incide), offering their advertisers much more precise market profiles. There are limited lessons for UK national papers to learn from U.S. city papers, but Mr. Evans makes it clear that editionalising and its effect on advertising is one of them.

Gains in the areas of manning, procedures for dealing with disputes and a new wages structure have not yet been fully tabulated by an exhausted Times management: but it appears that some solid results have been achieved. There have been agreements to reduce manning by widely different figures —in the composing room, for example, it will be as high as 40 per cent when computerised setting comes in next April, though that was on offer before the closure.

New disputes procedures have been agreed in many areas, though these, too, await clarification. Wages have gone up very substantially: around 40 per cent, in the case of Times' journalists, while NGA members in the composing room have a new base rate of £227.50 a week. Overall, Times' employees have leapt from among the lower paid in Fleet Street to the highest, an achievment which the management had regarded as desirable.

These are the gains; the loses are, with one exception, less precise. The exception is the simple loss in profits to the Thomson Organisation (of which TNL is a small part) of between £30m and £35m. Opinions differ among members of TNL's management on whether or not it was "worth it," and presumably will continue to do so.

Widen the market

Mr. Michael Mander, TNL's deputy chief executive, believes the loss to circulation will be slight, if any. "I think the net effect of this thing will be to widen the quality newspaper market," he says. "Mind you, it is a hell of a way to widen the market."

Research done for the company shows, he says, that in the 11 months in which The Times has been off the streets, the Daily Telegraph has gained 186,000 circulation, the Guardian 126,000 and the Financial Times 16,000.

Over the same period, the Observer's circulation has gone up from 700,000 to nearly double, at 1.3m (it says demand is around 1.5m, and it just can't meet it); while the Sunday Telegraph has grown from around 850,000 to over 1.3m as well. "There is no doubt in my mind," said one of the "quality" editors last week, "that if we'd all taken a self denying ordinance and not increased circulation, Times newspapers would have been back 10 months ago. As it is, we've absorbed some of their labour and the unions have been able to hold out." Mr. Evans appeared to confirm this yesterday when he said, caustically, that Fleet Street had been of little help to TNL.

'Readers intend to return'

Mr. Mander says: "Our research on The Times shows that our readers can't settle with their new papers. It shows that 91 per cent intend to come back, and that 24 per cent of the AB market who were not Times readers before the dispute say they will try it when it returns. We think some will stay with the papers they have switched to and buy The Times as well, especially in the case of those who have switched to the FT." The same will be true, he believes, in the case of the Sunday Times.

The "qualities" themselves will respond in different ways. First, all welcome their competitor's return, both on general democratic grounds and on the particular grounds that they provide mind-sharpening competition. In the case of the Financial Times and the Daily Telegraph, little change has been made in format to take advantage of The Times' absence, and FT joint managing director Mr. Justin Dukes believes that most of the extra copies have come from increased sales in Europe following the opening of the Frankfurt printing plant in January. Telegraph editor Mr. William Deedes says that his paper's election coverage became more comprehensive because of the lack of its magisterial competitor, and accepts that circulation will fall back.

The Guardian and more especially the Observer have made format changes. The Guardian, by beginning the Education Guardian section and a classified ad column called "Secretary Plus" in place of The Times' "Creme de la Creme" has added between 20 to 30 per cent on its display ad revenue and 80-90 per cent on its classified revenue. Mr. Gordon Thompson, its advertising director, believes it will keep some of that.

The Observer now has four newspaper sections — it had only two when the Sunday Times ceased publication — and a much fatter magazine. It has taken the lucrative property and job ads from its rival and the larger share of its readers. Mr. Donald Trelford, its editor, has always believed that the Sunday Times would come back, but thinks he will keep between 10 and 20 per cent of his new readers.

Further out in the territory of the undefinable are losses to prestige and morale. Mr. Mander says morale among journalists and managers has held up "magnificently." "We've had less of a staff turnover in these areas than we would normally expect if we were publishing. And there have been many tempting offers, from Now! among other quarters." Many journalists — especially on The Times — disagree: they have been dismayed by their managements' handling of the dispute in general, and of their interests in particular.

Turning back to his research, Mr. Mander says that his evidence shows that the prestige of the papers *grew* the longer they remained unpublished: a startling statement if taken to its logical conclusion — that a non-existent Times would, by AD 2000, have acquired enormous authority. "I think," he says carefully, "that people believe that if we have won a point of principle — which we have — they will respect us the more."

MEN AND MATTERS

Victorian forgers stir 1979 passions

The biggest and most baffling postage stamp fraud in British history is once again the subject of controversy. The fraud took place in the Stock Exchange post office in London, just over 100 years ago. Now a long-hidden cache of the forged shilling stamps used in the swindle has come to light. Some of the forgeries have recently been auctioned off in Wales at more than £300 apiece.

The 1870's swindle went on for several years. One estimate is that the forgers netted up to £200,000 — more than £3m at today's values. The technique was simple enough: stockbrokers handed in telegrams to their clients and were billed later for the stamps stuck on the forms. But many of the stamps were forgeries.

Yesterday I talked to Commander Malcolm Burnett, a 75-year-old retired naval officer who is a leading expert on the great Stock Exchange stamp swindle. He has analysed the new finds in the latest issue of a specialist philatelic journal.

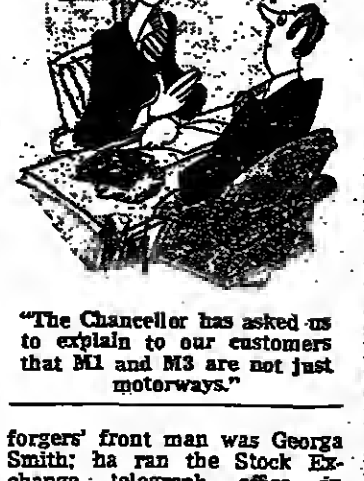
Burnett tells me that 120 of the forged stamps (whose total value today *is around £30,000*) were taken to Robson Lowe, the Pall Mall stamp auctioneers. The owner of the cache is remaining strictly anonymous, for obvious reasons. "His father was connected with the Post Office inquiry into the fraud," says Burnett. "After the inquiry, some of the evidence was retained personally."

The inquiry was held in 1915, more than 40 years after the event. "I think the Post Office was very embarrassed and tried to cover up," says Burnett, who at his Aberdeenshire home has been sifting evidence about the fraud for 20 years. The forgers—who would have faced the death penalty in the nineteenth century—were never caught.

A prime suspect as the forgers' front man was George Smith; he ran the Stock Exchange telegraph office in Threadneedle Street in the 1870's. But an ardent defender of Smith's reputation is John Bray, a specialist in Victorian stamps. Philatelic passions are running so high that Bray has submitted to a clinical psychologist a statement made by Smith in 1915. "It is claimed by Burnett that Smith was suffering from senile dementia when he made the statement," says Bray, then adds triumphantly: "But last Thursday the psychologist assured me that this is untrue."

Bray challenges Burnett's assertion that the stamps were forged singly. "I believe they were forged in sheets and sent down to the Stock Exchange by somebody high up in the Post Office." There are also rumours that the newly-released cache is by no means exhausted and that 4,000 more forged shilling stamps will be fed on to the market.

If that is true, today's owners could become as rich as those unknown swindlers of a century ago.



"The Chancellor has asked us to explain to our customers that M1 and M3 are not just motorways."

Sugar power

With a sugar production of around 6m tonnes a year, Fidel Castro is now all set to make more noise than ever. A Cuban inventor named Miguel Martinez has discovered how to make an explosive from molasses. Last week in Havana there was a demonstration of tree-felling with the secret formula, which Martinez calls Nitromiel. A factory to turn out the explosive in bulk will be opened soon.

When I conveyed this news to Tate and Lyle, the response was calm, if wary. "Of course, sucrose is a basic carbohydrate," said a spokesman. "The Brazilians are driving motorcars on alcohol made from sugar, so explosives would be entirely possible."

Then he added: "But we should not like anyone to think that they could blow themselves up with a tin of golden syrup."

Civil sobriety

Some of our 750,000 civil servants may be feeling in need of the nip of the hard stuff to counter the blues. If so, they should know that senior bureaucrats and staff trade unionists are being urged to watch out for those who take a nip too many.

The medical advisory service of the Civil Service Department has been distributing a booklet from the Wine and Spirit Federation, full of thoughtful remarks about the dangers of alcoholism. A CSD spokesman assures me: "Of course, we are in general a sober lot. But there are odd localised pockets of problems." He disappointed me by declining to reveal where these pockets might be.

The advisory service has been discussing alcoholism "at the welfare level" with the unions.

"The service likes to be on the ball," said the spokesman. "It is going to develop a policy which will recognise alcoholism and deal with it." An earlier booklet had said sufferers should be shown sympathy and be allowed to claim sickness benefits if they were away from work and undergoing treatment.

Seeing it through

While the octogenarian George Meany has announced his retirement after 24 years at the helm of the U.S. Labour movement, Mexico's Caudillo-like counterpart, Fidel Velazquez—who is in his 80th year and has run the Confederation of Mexican workers for 35 of them—has announced that he will continue until "the greatness of the nation" is consolidated.

That could take some time. Although, thanks to oil, Mexico's star is admittedly on the ascent, it could be a while—unless mortality intervenes — before the key question is answered of who will succeed Don Fidel. The occasion for his remark was a ceremony to award him Mexico's highest civilian award, *the Belisario Dominguez Medal*. The occasion unleashed effusive praise for Don Fidel from all sides—he has managed to keep the vying sectors of the Mexican economy quiet for a remarkably long time.

All ready to go

In a pub near New Printing House Square, a few minutes after the agreement to re-publish became known, a colleague overheard one man from The Times say to another: "I'm glad we're back in. It's much easier to find another job when you've already got one."

Observer

FINANCIAL TIMES SURVEY
Monday October 22 1979

West Germany

West Germany's democratic system seems to have run with unnerving smoothness. But this year the Federal Republic's current account may show a deficit, which could put a brake on the Deutschemark's upward climb, and there are problems to be solved in the country's relations with NATO and with its partners in the European Community.

Gradual change in attitudes

By Jonathan Carr
Bonn Correspondent

THIS IS a year of anniversaries. Forty years ago Nazi Germany launched the second world war. Thirty years ago the Federal Republic of Germany was born. A decade ago a Social Democrat-Liberal coalition came to power in Bonn, and is still there. How does it stand now—this country correctly, but clinically, described as the second German experiment with democracy And where is it heading

The answer to the first question would seem to many self-evident. West Germany is one of the world's leading economic and trading nations, raised to that level from the immediate post-war chaos by the diligence of its people, the sense of responsibility of its trade unions and the agility of its entrepreneurs. Militarily it is much the strongest European member of NATO (although it has no nuclear weapons). Its political leadership is capable and respected — its Government seems stable.

It looks almost too good to be true. Democracy elsewhere repeatedly confirms its reputation as a rather messy affair—the worst of all systems, apart from the others. But the German system seems to many outsiders to run with an almost unnerving smoothness. And their admiration for the country, its rebuilt cities, even its people, often stops some way short of a deeper attachment.

Part of this reaction might be put down to envy. But Germans have it themselves too. A writer in the 1950s could speak of his country as "the most matter-of-fact in the world" and of his people as having neither apparent memory of the past nor dreams of the future. Was that to be wondered at? The recent past had been one of horror and shame—and German dreams had turned into nightmares before. Better it seemed, to eschew both.

This German attitude has been changing gradually—but the alteration has become apparent—this year above all. Of course in political terms the West Germans have long had to face the consequences of Nazism and Hitler's war. The "Ostpolitik" is the clearest example, with the former Chancellor Willy Brandt falling on his knees before the memorial to the victims of the Warsaw ghetto. But this year has seen a breakthrough of a different kind—the upsurge of interest in, and demands for information about, the Nazi past by many Germans who before had chosen to ignore the issue.

A wall has begun to come down which not only blocked confrontation with the Nazi era but impeded identification with achievements and traditions before Hitler of which Germans have a right to be proud. And without that identification, the Federal Republic seemed to be a land without roots.

Why has this happened now? One obvious, but partial answer is the showing of the American television series *Holocaust* in the Federal Republic this summer—before an audience totalling 11.5m for the first part and 15m for the fourth and last.

Debate

Some criticised the film for oversimplifying the fate of the Jews under Hitler. But *Holocaust* succeeded in Germany where others had failed in making that era emotionally comprehensible and in stirring painful, but necessary, questions.

If that were all, then the debate which flared up this year might flicker out by the next. But a deeper process is under way and *Holocaust* was a catalyst for it, not the cause. It is exemplified by the decision on July 3 of the Bundestag, the lower house of the Federal Parliament to lift the statute of limitations on the prosecution of murder.

The measure applies to all murder — but it was the crimes of the Nazi era which were in all minds. It means there is now no cut-off date beyond which a Nazi murderer might still emerge from the shadows—perhaps even boast of his actions—and escape prosecution. The Bundestag had debated the issue before and simply extended the deadline. This time, in a free vote, it accepted the view of the Federal Justice Minister, Dr. Hans-Jochen Vogel, that "after Auschwitz there can be no more limits on prosecution of murder in Germany."

Some, particularly those who suffered under the Nazis, will say that if the Germans are now broadly facing up to their past then it is not before time. They would not lack support for their view in Germany itself. One senior Bundestag deputy, Dr. Hildegard Hamm-Bruecher, recalls her hopes of a transformation after 1945 and her pain that "apart from a falsely established, formal and superficial denazification, we did not get deeply enough at the roots of the evil." It was hard enough to explain to a younger generation the fascination which Nazism had held in the conditions of the 1930s. It was still harder to justify a postwar mentality dominated by the wish to forget, to suppress, to absorb oneself with material satisfaction.

In retrospect, the Federal Republic suffered from the speed of postwar reconstruction. That is not to say the western allies were wrong to provide the initial economic backing for a new, democratic Germany—nor that the Germans are to be blamed for seizing the opportunity with both hands. Europe would be far poorer and more dangerous place today if this had not happened. But the very speed and intensity of the "Wirtschaftswunder" — the economic miracle—left precious little time or scope for contemplation. Material progress could be seen almost as an end in itself in a country so recently laid low.

That condition could not last forever. For one thing there is now a young generation in West Germany which not only did not know the war but hardly saw the ruins of it. Material well-being is taken by many as a matter of course—by some even despised.

Beyond that, the soaring economic growth rates of the 1950s could not be sustained indefinitely. The slowdown set in well before the oil crisis and subsequent recession in this decade. But it was that crisis in particular which gave many West Germans cause to pause and ponder. The temporary ban on Sunday driving and empty autobahns—these had seemed certain to be bitterly deplored by this fast-car-crazy nation above all. What a surprise, therefore, when the reaction was less one of protest than of a recognition of new benefits—an absence of fumes and noise, more biking and walking, a slower pace all round.

The direct effects vanished quickly—but the experience helped speed a certain change in priorities. The rise of groups of environmentalists into a political movement to be taken seriously is one sign of this. The stronger accent by trade unions in their bargaining on a shorter working week rather than higher wages could be another.

Priorities

What conclusion is to be drawn from this? Not quite that the Federal Republic has become a "normal" Western country—since it is hard to define just what that might be. But it is becoming a less artificial entity, no longer doomed to indefinite scrutiny as an admirable but sometimes rather worrying "Modell Deutschland." This development is coinciding with the sometimes unwilling assumption by West Germany of an international political role appropriate to its economic power. That does not mean that it is becoming a "political giant" but it is no dwarf either—and it would be abnormal to suppose that it should be.

The old saying used to run that "the Germans reach too high and fall too low. They seek the limitless in a limited world." It is still useful—as a description of what is no longer true. It is easy to spot West Germany's strengths and successes—symbolised by its long line of trade surpluses and the constant upward revaluation of its currency. But it also operates under restraints much more recognisable inside the country than from abroad. They include its lack of domestic raw materials and energy supplies (in contrast to Britain), its apparent inability to press on with a big enough nuclear power programme markedly to reduce its imported energy dependence (in contrast to France), its reliance on the economic health of others for the success of its heavily export-dependent industry. The world has become so used to those German surpluses that it may be hard for it to grasp that the current account of the Federal Republic may show a deficit this year and seems certain to do so next year. That in itself may not cause the Deutschemark to weaken—since the Germans have been, and remain, relatively successful at containing inflation. But in as much as the deficit may mean a brake on the speed of their currency's upward climb, the Germans

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A talent for fearing the worst

THE ECONOMY

JONATHAN CARR

AT FIRST sight it is a picture to turn other countries green with envy. West Germany is likely to have a real economic growth rate this year of 4 per cent or more, an inflation rate averaging less than 5 per cent and another big trade surplus. Unemployment at less than 800,000 in the early autumn is still high by the standards which Germans, and others, were used to less than a decade ago. But roughly 300,000 more people have a job this year than in 1978. After the oil price shocks and currency switchbacks of recent years this is no mean result.

Yet there are clouds on the horizon — and Germans would not be Germans if they were not already peering towards them with furrowed brows. Such is the hypercritical view of economic performance in the Federal Republic that almost no domestic upswing is judged really stable enough to be durable, and no recession so deep that it cannot plunge lower. But this time these usual economic concerns are intensified because 1980 is a general election year. Could it be that a recession will be setting in next year as the election campaign begins in earnest, giving the political opposition scope for criticism of Government policy which it will not hesitate to use?

A look at the trend of new orders in the business climate chart seems to suggest that the concern is overdone. Orders to manufacturing industry in real terms in the first seven months of this year against the same period of 1978 increased by 8.5 per cent, with domestic orders up by 6.2 per cent and those for export by 12.5 per cent. Orders in hand (at current prices) were higher in the last quarter of 1978 by 12 per cent compared with a year earlier; in the first quarter of 1979 they were up by 14 per cent and in the second quarter by more than 16 per cent. Use of capacity, which totalled about 81 per cent in the first quarter, rose to about 85 per cent in the second.

This looks less like an economy running out of steam than one in danger of overheating. This will, of course, eventually come to the same thing—unless a timely coolant is applied. With the sharp increase this year in expenditure of enterprises on machinery and equipment, added to the impact of tax cuts and earlier government programmes to boost the economy combined with extra demand pressure from abroad—more and more sectors of industry are running into production bottlenecks.

The clearest example is the construction industry—with a backlog of unfilled orders at mid-year nearly one third higher in value terms than a year earlier. Its cries for more labour, skilled or otherwise, go largely unanswered and, inevitably, prices rise. The groans of those Germans contemplating building their own homes and facing sharply increased costs are only partly muted by the expert advice to "go ahead, because the longer you wait the dearer it will be."

Naturally there are exceptions. German shipbuilding can by no stretch of the imagination be called a boom sector. And there are signs of a downturn in the motor vehicle industry, although this can fairly be viewed as a return to a more normal level of activity after a quite exceptional period. But in general, the domestic economic upswing has proved unexpectedly strong—and the boost to inflation greater than forecast. It is this fact which helps account for that gradual levelling off of the line in the chart plotting the German business climate. The German manager's nightmare is that rising prices will reduce consumption at home and increase the demands of the trade unions in this winter's wage negotiations, while crucial export business tapers off as key partner countries follow the United States down into recession. These are some of the factors which have recently led one respected economic institute to suggest that West Germany's real economic growth rate next year might be only about 1.5 per cent—roughly half the rate expected by others, including the Bundesbank.

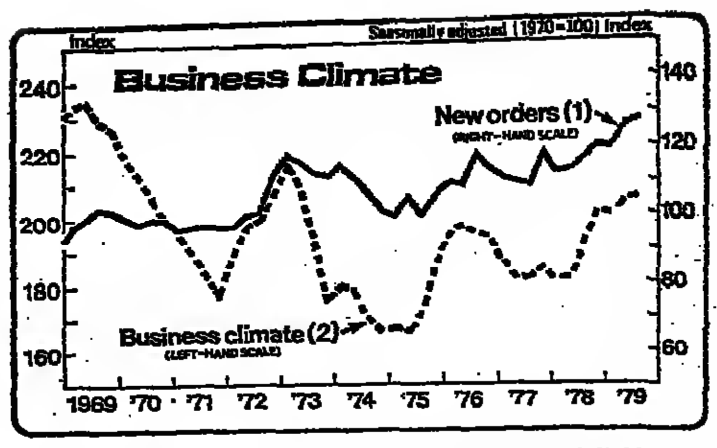
There is something in this rather dismal view — but it needs to be placed in perspective. In the first place the current inflation figures, expressed at an annual rate, look somewhat worse than they really are. In summer and autumn 1978 West Germany had exceptionally low inflation, and it is with this that the latest results this year are being compared. While the recent trend of inflation at an annual rate has been 3.7 per cent in May, 3.9 per cent in June, 4.6 per cent in July and 4.9 per cent in August, the month-to-month rise during this period has been 0.4 per cent in both May and June, 0.6 per cent in July and only 0.1 per cent in August. This clearly does not imply there is no problem—but it does show it is partly an optical one.

Special factors have been at work too which will not necessarily recur. A long-planned increase in value added tax (VAT) came into effect in July, giving an immediate upward push to prices. Further, the sharp rise in oil and raw materials costs not only came at a time when the needs of the expanding German economy in volume terms were greater than ever. They also coincided with a period of more than six months during which the Deutsche Mark was relatively weak, even against the dollar in which oil is priced. This unusual DM weakness helped German export goods to be more competitive since prices and costs in most trading partner countries were rising faster. But it also meant a steep increase in import prices (up by more than 17 per cent in August at an annual rate) and a further boost to German domestic inflation from outside.

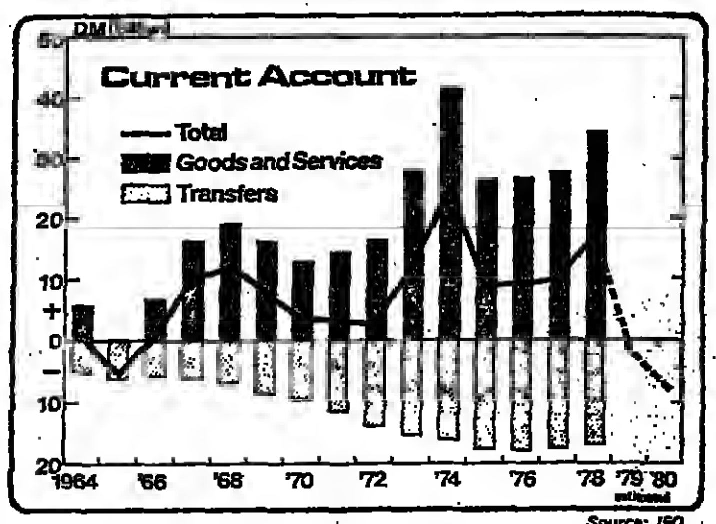
COMPARATIVE STATISTICS 1978

	Area '000 sq km	Inhabitants m	per sq km	Hourly earnings* DM	Inflation rate† %	Monetary reserves‡ DM bn	Gross National Product DM bn	Share as percentage of industrialised countries	Per inhabitant DM '000	Exports DM bn	Exports % of GNP	Imports DM bn	Imports % of GNP
W. Germany	249	61	247	20.10	+2.4	98.5	1,283	10.9	21.0	284.6	22.2	243.8	19.0
France	547	53	97	14.10	+9.7	25.5	941	8.0	17.8	159.4	16.9	158.3	16.8
Britain	244	56	229	8.80	+8.4	31.2	619	5.2	11.1	143.8	23.2	157.9	25.5
U.S.	9,363	218	23	17.00	+9.0	35.8	4,231	35.9	19.4	288.4	6.8	345.5	8.2

* Wages plus supplementary costs. † December, 1978. ‡ Excluding loans and other claims on the rest of the world; excluding external liabilities.
Source: Dresdner Bank



1 Volume of new orders for industry, seasonally adjusted (1970=100).
2 "Business climate" barometer published by IFO Institute for Economic Research, Munich: businessmen's evaluation of current economic conditions and their expectations for the next six months.



Source: IFO

Danger

The Government, the Bundesbank and employers all maintain that they cannot be held responsible for this external component of German inflation. The Bundesbank can argue with some justice that it recognised the danger of an additional, domestic component to inflation earlier than most, and acted against it. It has tried to reduce the growth of money supply, pushed up key interest rates (in the face of criticism from some other western central banks who found themforced to do the same) and limited the access of the commercial banks to Lombard loans. If the propensity to make oneself unpopular is one sign of an effective central bank, then the Bundesbank has without question been doing a fine job.

The main problem now is to try to convince the trade unions —both leadership and membership. The authorities can argue that the oil price increases alone have added more than DM 15bn this year to the import bill—and that this sum is no longer available for distribution as part of the national cake. They can stress that, despite the increased cost of living, net wages and salaries per employee have been higher in real terms this year than last. But these arguments may not of themselves be enough to convince those who, for example, have seen their heating oil costs more than double since 1978. And there will be many employees underlining that even if moderate wage settlements at the turn of 1978-79 brought some improvement to them in real terms, it was small compared to the rise in company profits. The 1979-80 wage bargaining, they hold, must be the time to correct the balance.

Both sides are thus already speaking of a "crucial wages round" which will largely decide how the German economy will fare in 1980. This is a song which tends to be heard about this time every year—and the upshot has usually been a wage bargaining process and settlement almost immaculate by international standards. But without suggesting that German social peace is crumbling, it is worth recalling that the trade union leadership is under greater and more complex pressures from the rank and file than it used to be. There are many reasons — among them generally higher expectations, the impact of new technology and the rise of a new generation which does not share to the same extent the ideals of those directly involved in the reconstruction after the second world war.

The truth is that in labour relations—as in many other fields—the Germans are neither as threatened as they sometimes imagine themselves to be, nor are they the miracle workers which foreigners often tend to believe.

Something of the same goes for Germany's transactions with the rest of the world, where so many countries have become so used to persistent German pluses that it is hard for them now to realise that a current account deficit is likely, if not for this year as a whole then for the next. That, of course, not only has implications for the D-mark—since a long succession of current account surpluses has been one factor (though only one) in the constant appreciation of the German currency. But it should also firmly remove Germany from the firing line of criticism by those countries which feel Bonn should do more to boost the domestic economy, thus stimulating imports and helping other nations' economic growth.

The message, it seems, has been received in Germany—or even if it has not, the balance of German transactions with the rest of the world is behaving as though it had been. From 1972 to 1974, real economic growth in West Germany was on average lower than that of the 13 major Western industrialised countries—3 per cent compared with 4 per cent. And although the D-mark had by then been revalued upwards several times, this had not so far worked through to affect the trade performance. The result—as the current account chart shows—was that Germany could produce such huge surpluses on visible trade (DM 50.8bn in 1974 and DM 37.3bn in 1975) that even after deduction of the traditional deficits on services and transfer payments, the current account was far from plunging into the red.

Now the boot is on the other foot. West German real growth is higher than that of its major partners and the appreciation of the D-Mark had broadly compensated for the additional price competitiveness West Germany might have gained from a lower inflation rate. With imports growing faster than exports in real terms, the IFO economic institute of Munich foresees lower German trade surpluses—and a current account deficit of around DM 8bn next year. The figure itself has been challenged—but the validity of the argument seems to be confirmed by developments already this year. In the first eight months West Germans had a trade surplus of DM 16.5bn compared with one of DM 24.3bn in the same period of 1978, and a current account deficit of DM 4.4bn compared with a surplus of DM 7.4bn before.

Direction

This is anything but a disaster. It indicates that West Germany has moved in a direction which other trading nations have long hoped for. Meanwhile several other western countries have sought to follow an anti-inflation strategy after the German pattern. This is no bad exchange provided neither development is permitted to go to extremes. The question of how to keep a fair balance is one thing for the Germans to worry about as they move into the 1980s.

Change

CONTINUED FROM PREVIOUS PAGE

must reckon with less of a natural defence than they used to have against imported inflation.

This economic dependence and vulnerability is matched in the military field (where Bonn and Washington are currently squabbling because the Germans are not increasing their defence expenditure by as much as the Americans wish). True, West Germany's armed forces are stronger than those of its Western European allies. More relevant is that these European forces together—but without the U.S.—would be quite unable to match those of the Warsaw Pact. And West Germany with its lengthy common border with the communist east would be the battlefield on which an east-west war in Europe would be fought.

Hence the special preoccupation of the Federal Republic with detente—and its particular sensitivity to any development (for example, a failure by Congress to ratify the U.S.—Soviet SALT II agreement) which might upset the process. Yet it is often asked whether detente in German eyes is not primarily a road to reunification—an aim enshrined in the basic law, the provisional German constitution which is provisional precisely because Germany remains divided. And if that reunification were to occur, would not the power balance alter radically and the old problem of a strong Germany in an uneasy central European setting recur?

The German answer has long been, in part, that in any case reunification is not just around the corner. Anyone will subscribe to that who has watched the painfully slow progress towards a less abnormal relationship between the two German states. Sometimes it seems that the process has stopped or even started to reverse. Yet a comparison with the frozen situation of a decade ago proves the contrary.

Could it be that when the two German states celebrate their 50th anniversary in 1999 they will do so together? The time scale is almost certainly too short. But is it feasible either that in the next decades the relationship between NATO and the Warsaw Pact will remain unchanged? Will those interminable east-west talks in Vienna on "mutual and balanced force reductions" in Europe still have brought no fruit? And would not the likely first stage of such a reduction be partial withdrawal by the super-powers from territory they have so long occupied, by insistence or invitation?

There is naturally no guarantee that there would then be no new German problem. But the pessimists on the issue do not have to be proved right either. The likelihood is that by the turn of the century a wholly new set of questions will have emerged — the main one being not who could dominate Europe but how the continent as a whole could co-operate to keep its place in a world of dwindling natural resources and greatly increased industrial and technological competition.

That is a context in which the problem of the formal reunification of two German states could become increasingly irrelevant. The modern German writer, Herr Martin Walser, once wrote that "the more Europe absorbs us, the more pleasant it will be to be a German." It would surely be churlish for other Europeans to disagree with him.

هكذا من الأصل

HELMUT SCHMIDT

Born December 23, 1918, in Hamburg. Married, one daughter

1937 Matriculation at Hamburg's Lichtwarkschule
1939-45 Military conscription into anti-aircraft artillery
1946 Member of the Social Democratic Party
1952-53 Head of transport office in Hamburg Industry and Transport Authority
1953-61 Member of the Bundestag
1961-65 Senator of the Interior in Hamburg
1965 Re-election to Bundestag
1967 Floor leader of the SPD Bundestag group
1968 Deputy federal chairman of the SPD
1969 Federal Defence Minister
July, 1972 Federal Minister of Economics and Finance
December, 1972 Federal Finance Minister
May, 1974 Election as Federal Chancellor by the Bundestag
December, 1976 Re-elected Federal Chancellor

FRANZ JOSEF STRAUSS

Born September 6, 1915, in Munich. Married, two sons, one daughter

1935 Matriculation, Max-Gymnasium, Munich
1939-45 Military service, Artillery
1945 Founder member of Bavarian Christian Social Union (CSU)
1949 Founder member of the Bundestag
1953 Federal Minister without Portfolio
1955 Federal Minister for Atomic Affairs
1956-62 Federal Defence Minister
1961 Elected Chairman of the CSU
1966-69 Federal Finance Minister
1978 Elected Prime Minister of Bavaria
1979 Elected by combined parliamentary opposition (CSU) and the Christian Democratic Union (CDU), as candidate for the Chancellorship in the 1980 general elections

Herr Schmidt v. Herr Strauss

HELMUT SCHMIDT

JONATHAN CARR

CHANCELLOR Helmut Schmidt likes to call himself "the present senior executive of the Federal Republic of Germany." The description is in line with a widespread, partly critical view of him. According to this judgment, Herr Schmidt is primarily a political manager and pragmatic economist, industrious (almost to a fault), iron-willed and impatient of blockheads. He can master crises—and seems food of telling others how to do so too. But it is said, he lacks the long-term vision and the human touch possessed by his predecessor in office, Herr Willy Brandt.

This might once have passed for a fair assessment. Throughout much of his career Herr Schmidt irritated many with his apparently unshakable conviction that he knew best. The fact that this was often true did not help matters. Nor did his sharp tongue, which early on earned him the nickname "Schnauze" — which roughly means "Schmidt the Lip." The combination made him feared by his political opponents but it caused problems too with his allies, within his own Social Democratic Party (SPD) and in the coalition Government. One aide who recalls Herr Schmidt's peremptory tone as a minister in cabinet in the early 1970s describes it simply as "insufferable."

Times change—and chancellors too. In his five years as Government leader Herr Schmidt, now aged 60, has grown in personal as well as political stature, winning unreserved support from many who once confessed only to unwilling respect. The old steel remains, and Herr Schmidt can still play the demagogue in parliament or on the campaign trail when he feels he must. But in general there is a quieter authority and a broad perspective quite at odds with the usual view of him as the "Macher"—a word implying one whose first talent is to act rather than to think.

This new dimension astonishes many who encounter it for the first time. Take an impromptu speech delivered by Herr Schmidt earlier this year on how Europe might develop in the 21st century. The topic itself is hardly one to be expected from a leader generally *supposed not* to be looking beyond the next general election. Apart from that the group of foreigners, mainly Americans, who attended the semi-private gathering had been expecting to hear from the Chancellor about economics and defence (with, perhaps, the added piquancy of an occasional jibe at President Jimmy Carter).

Instead they were lectured on the heritage of a common European civilisation to which Tolstoy, Chekhov and Chopin from the political "east" were said to belong just as much did Dante, Goethe or Shakespeare. The vision was of a Europe in which the free interchange of artistic, philosophical and other influences would one day be able to reappear—a return to a cultural growing-together which two world wars had impeded but could not destroy.

Several of Herr Schmidt's listeners were moved—the more so, perhaps, since the Chancellor spoke in Berlin within sight of the communist east. Others were sceptical. Most found the experience as unexpected as if Herr Herbert von Karajan had forsaken his conductor's baton to deliver a talk on the advantages of fixed exchange rates.

How has the change come about? It is not as though Herr Schmidt has had more time in the last five years to sit down and reflect on Europe's cultural heritage and future. A glance at his career indicates he never had much time for such things. True he showed an early love of visual art (hardly endearing himself to the authorities in the 1930s by his youthful admiration for those painters the Nazis called decadent). He might well have become an architect—best of all, a town planner. But the war broke out, he was drafted at age 20 and served in an anti-aircraft battery on the Russian front. Afterwards he studied economics and political science in his home city of Hamburg (thanks partly to the influence of his wife Hannelore—"Loki"—whom he had married in 1942)—and joined the SPD because it seemed the only force likely to bring about the reconstruction of the country was social justice.

His career on paper looks like a continuous success story—organising the salvation of Hamburg from the flooding of 1962, chief whip of the SPD's parliamentary group, Defence Minister, Finance Minister, Chancellor.

But the list shows neither the failures nor the uncertainties. What prospect was there for Herr Schmidt in the early 1970s of gaining the highest government office? Herr Brandt, only *five years* older, was Chancellor and for a time one of the most popular ever—at home and abroad. It took the affair of the East German spy in the Chancellery in 1974 to bring Herr Brandt's downfall—catapulting Herr Schmidt into the top position which had come to seem unattainable.

If the last five years have not given Herr Schmidt more time they have provided experience and contacts, at home and abroad, not available before. One key influence seems to have been the dramatic period in 1977 during the terrorist kidnapping and later murder of the industrialist, Dr. Hans Martin Schleyer, and the hijacking of a Lufthansa airliner to Somalia. Herr Schmidt clearly suffered at the time under the constant pressure to take life or death decisions. He was ready to resign had the operation to free the airliner brought serious bloodshed. But the experience in retrospect seems to have given him a more sovereign attitude to power—stemming from the first-hand recognition of its limitations even when the stakes are highest.

Abroad, the key relationship in the past few years has been Herr Schmidt's close friendship with the French President, M. Valery Giscard d'Estaing. This has naturally been significant in power political terms. For one thing it partly coincided with the presence of leaders in the U.S. (Carter) and in Britain (Wilson) for whom the Chancellor had markedly *less respect*.

But in a wider sense, it seems that Giscard embodies a continuity of tradition, culture and way of life of great attraction to a German leader whose own "fatherland" (the word still sticks in German gullets, though less than it used to) has been occupied and divided.

No doubt the Hanseat Schmidt was temperamentally an anglophile who developed into an Atlanticist. But the French connection has become equally important. Respect for the Italians has increased too—and for Eastern European leaders like Poland's Edward Gierek and Hungary's Janos Kadar, who are seen as doing an outstanding job in the most difficult circumstances. Each Chancellor's visit, whether to Paris, Siena, Warsaw or Budapest—seems to bring added proof of common interests extending beyond differences in economic performance or political system.

The word Herr Schmidt constantly uses is "interdependence." For West Germany it implies acceptance of the responsibilities and problems of being a relatively wealthy, medium-sized country with world interests. It is a tribute to Herr Schmidt's leadership, in style and content, that this is broadly understood among his countrymen. It is certainly fortunate for the rest of the world that this is so.

FRANZ JOSEF STRAUSS

JONATHAN CARR

HERR FRANZ JOSEF STRAUSS is probably the most talented West German politician who has not (so far) been Chancellor. He is certainly the most controversial and the one who lends himself best to caricature. Cartoons without number show a burly figure in Lederhosen, stomping the Alpine foothills under the white-blue banner of Bavaria and vilifying socialists before his beer-quaffing supporters.

There is something in this view. Herr Strauss campaigning on his home ground is a *sight well worth seeing* — the more so in a German political landscape hardly packed with colourful characters. But if this were the whole picture it would be hard to see why this man in particular will be leading the combined opposition parties into the general election next year, with a chance to replace Herr Helmut Schmidt as government leader.

Herr Strauss's physical attributes may have tended to obscure his intellectual ones. Many know that this Munich butcher's son was once South German junior cycling champion—displaying the kind of stamina which was later to leave political rivals *gasping* too. Fewer are aware that Strauss was the most brilliant classical student of his generation in Munich, where his examination results are still spoken of with awe. He can deliver speeches in Latin (as well as French and English)—and no doubt opponents, wriggling under his barbed remarks, wish he would do so more often.

After the war, when (like Herr Schmidt) he fought on the Russian front, Herr Strauss soon made a name for himself in Bavarian politics, and in 1949 was a founder member of the Bundestag—the lower house of the Federal Parliament in Bonn. There he caught the attention of the country's first Chancellor, Dr. Konrad Adenauer, who offered him a Cabinet post—that of Family Affairs Minister which Herr Strauss indignantly refused. Instead he became a Minister without Portfolio, moving from there to Atomic Affairs.

Dr. Adenauer once said that *whatever* happened he would never make Herr Strauss Defence Minister. But in 1956 that is exactly what he did. So the classical scholar who had become an expert on nuclear fission found himself responsible for building up the Bundeswehr—and that at a time when German rearmament was still highly controversial at home. Herr Strauss was attacked domestically on grounds he was too ready to espouse militarism—and chided in NATO councils abroad because the Federal Republic was said not to be contributing enough to western defence. The allies had hoped for a West German force of around 500,000 men within three years, while Herr Strauss felt that a build up to 300,000 over five years was the best that could be managed. At last he could recall, with an ironic smile, that he had told the occupying Americans long before that European defence would eventually need a German component—and been roundly rebuked for his pains. Today he remains an advocate of a European nuclear force preceded by establishment of a European government—despite many charges over the years that he is indulging in dangerous utopianism.

Given his credentials and experience—which also included three years as Federal Finance Minister—why has Herr Strauss not already reached the Chancellor's office? His supporters suggest that he has been unlucky and victimised. His opponents say his setbacks have been the result of his own impulsiveness and misjudgment. The answer lies in a bit of both.

For a start, Herr Strauss has been in the wrong party for one aspiring to the highest Government office. His Christian Social Union (CSU) is sometimes wrongly called the "Bavarian wing" of the main Christian Democratic Union (CDU). On the contrary, the CSU is an independent party which co-operates (sometimes unwillingly) with the CDU and forms a joint parliamentary group with it in Bonn. But the CSU does exist only in Bavaria (at least so far) while the CDU operates everywhere else. Thus the CDU has long seemed to have the natural first say on who should be the combined opposition's candidate for the Chancellorship. There have been three CDU Chancellors—Dr. Adenauer, Dr. Ludwig Erhard and Kurt Georg Kiesinger—and two CDU leaders who have tried to be Chancellor, Dr. Rainer Barzel and Dr. Helmut Kohl. Herr Strauss has now broken the tradition and become joint candidate—but it has been a very long haul, successful now largely because of uninspiring CDU leadership and internal squabbling.

Apart from that, Dr. Adenauer was dominant and Herr Strauss relatively young when the CDU-CSU was firmly in office in the 1950s. By the time Herr Strauss had gained the experience the political wind was changing. The Social Democrats (SPD) formed a coalition with the Liberal Free Democrats (FDP) in 1969, and this has been in power ever since. Herr Strauss has had to endure opposition with the recent solace of being Prime Minister of Bavaria (where, as he once remarked in the early years of Allied occupation, democracy had been firmly installed before the white man reached America).

And what, it may be asked, was Herr Strauss doing in the apparently fallow period between his Defence and Finance Ministry posts. The answer is—for the most part living in disgrace in Bavaria (and learning about economics at Innsbruck University across the border in Austria). He had been widely held responsible for police raids in 1962 on the offices of the Hamburg news magazine Der Spiegel, which published an article on NATO allegedly betraying state secrets. In the ensuing uproar, Herr Strauss was accused of deceiving parliament and had to step down.

This is only one of several "affairs" with which the name of Herr Strauss or those of close associates have been linked. Herr Strauss dismisses it all as a defamation campaign — and has emerged more or less unscathed from investigations in and out of court.

But it is the memory of that Spiegel scandal which, above all, raises a serious question mark in many minds about Herr Strauss as a Chancellor. This has nothing to do with the accusations hurled at Herr Strauss by his wilder critics—for example, that he would lead the Federal Republic into fascism or drive it automatically into international isolation. But there are doubts on whether he could be relied upon to act coolly at a time of national crisis. And they are doubts which Herr Strauss's public style does not help resolve.

Herr Strauss now faces a big dilemma. If he is to lead his forces to victory next year he will have to convince middle-of-the-road voters by his style as well as by the content of his policies. Can he harness his oratory enough without losing that sparkle which is his great attraction.

In apparent exasperation, Herr Strauss once said "I know that I have made several mistakes in my life—and I fear I cannot with absolute certainty rule out making others in future. I hope I am the only person of whom this is true..." The ironic point is well made. But Herr Strauss is now at a stage in his career where he cannot afford to continue to make old errors. The stakes are too high.

A tough campaign ahead

POLITICS

JONATHAN CARR

WEST GERMANY is heading for what seems likely to be one of the toughest general election campaigns in its 30-year history. The result could be the overthrow next autumn of the Social Democrat (SPD)-Liberal Free Democrat (FDP) coalition government in Bonn which has held office for a decade. There is already some talk of polarisation, of a threat to the stability of the democratic system. It is almost certainly overdone.

On the contrary, it may be that the impending confrontation will do West German politics a power of good—clarifying the choices and raising the level of debate above the humdrum. It can hardly be otherwise given that the two outstanding German politicians of the day will be in direct confrontation — on the Left Chancellor Helmut Schmidt, already more than five years in office as government leader, on the Right Herr Franz Josef Strauss, raring to show that he can succeed in unseating the coalition where others have failed.

Purely in terms of personal popularity, Herr Schmidt at present has a clear advantage. A poll taken by the respected Allensbach Research Institute this summer showed that no less than 74 per cent of voters had a favourable opinion of the Chancellor—indicating substantial support even from those who do not normally vote for Herr Schmidt's SPD. The figure for Herr Strauss was only 40 per cent—although this was an improvement on his ratings a year earlier. Still, it is not enough for the Government coalition simply to rest on its laurels and rely on the popularity of Herr Schmidt to carry it through.

For one thing, with about a year to go to the election the Government could become more vulnerable to opposition attacks on its economic policy. Real economic growth is likely to be less next year than this, and if inflation is not to increase, then moderate settlements will have to emerge from this winter's round of wage negotiations. This obviously cannot be guaranteed in advance.

Furthermore, both coalition parties—SPD and FDP—have strong minorities firmly opposed to nuclear power. The Government has so far managed to keep the nuclear option open but another battle on the issue is likely at the SPD conference in Berlin in December. A defeat for the party leadership there would at once be exploited to the full by Herr Strauss — even though some opposition politicians too have dragged their feet on the nuclear issue.

Undermining

Quite apart from this, a continuation of the coalition depends on the FDP gaining at least the 5 per cent of voter support needed under German law to permit representation in Parliament. This law was intended to prevent re-emergence of that plethora of Parliamentary parties and undermining of firm government which dogged the ill-fated Weimar Republic. It has succeeded admirably. But the Liberals have never been far above that crucial 5 per cent mark in the last decade.

It is a striking thought that had voter support for the FDP in 1969 been just 0.9 per cent less, the party would have had no seats in the Bundestag (the lower house of the Federal Parliament), there would have been no Social Democrat-Liberal coalition and the course of German policy, both at home and abroad, might have been very different.

All major parties are trying to combat the problems posed by the rise of smaller groupings such as ecologists, which attract highly active, albeit minority, support. But for the FDP the danger is the greater simply because the party cannot afford to lose much support if it is to survive at all as a parliamentary force. On the other hand next year's confrontation could give the FDP the chance to profile itself more clearly as the party of the middle ground. It seems sure to be able to draw effective support in this from its honorary President Herr Walter Scheel—until recently Federal President. He is a popular figure who could prove a Liberal trump card.

Herr Strauss has his problems too—and they may not become easier with time. No one doubts his brilliance and long experience as a founder member of the Bundestag in 1949 and as a Federal Minister in the 1950s and 1960s. Nor is his dominance over his own Bavarian Christian Social Union (CSU) in question. But he does not have undivided support in the ranks of the CSU's much larger and allied party, the Christian Democratic Union (CDU), which exists throughout the Federal Republic except in Bavaria.

For some in the CDU it simply rankles that the CSU should be providing the combined opposition's "Chancellor candidate"—the man who would become head of government if the SPD-FDP coalition were defeated next year. They feel this is too much, like the CSU tail wagging the CDU dog. There is resentment too that in the course of his headlong career Herr Strauss has managed to elbow aside CDU leaders including the present party chairman Dr. Helmut Kohl and his predecessor Dr. Rainer Barzel.

The relationship between CDU and CSU has often been tense—even though they have always formed a joint parliamentary group in the Bundestag and constantly express renewed support for one another. It will need guile as well as strength to keep the two working together. Notwithstanding this, there is a fear among some in the Centre and to the Centre-Left of the CDU that the ebullient Herr Strauss may push the union's parties, and perhaps later the whole country, too far to the Right of the political spectrum.

Whoever wins next year, it is worth stressing that the German system is certainly not one in which all political power is derived from the Centre. Indeed there are so many checks and balances in Federal Germany that it is sometimes a matter for surprise that the Government in Bonn can operate at all. This is already a problem for Herr Schmidt. It could yet be one for Herr Strauss.

Guarded

Not only do the Laender (the provincial States) have their own parliaments and governments with prerogatives which are jealously guarded. They also have their own parliamentary chamber in Bonn, the Bundesrat, with powers to initiate legislation, to delay it, and in some cases to veto it. For example, no tax measures can become law without the accord of the Bundesrat. This has been bitterly brought home to the Government again recently through the Bundesrat refusal to approve proposals on turnover tax—a step which means the Federal Republic is being hauled before the European court for failing to fulfil EEC commitments.

These special powers would clearly not matter much if the party strengths in the Bundesrat were always the same as those in the Bundestag. But for 12 of the Federal Republic's 30 years they have not been the same—and they are not now.

While the SPD-FDP has the majority in the Bundestag the CDU-CSU has the upper hand in the Bundesrat. On the face of it this would help Herr Strauss if he came to power, gaining a Bundestag majority through victory in the general election. But there would be no guarantee that the composition of the Bundesrat would not change in his disfavour in future Laender elections. Even if legislation passes both houses it still has to be modified if the Federal Constitutional Court in Karlsruhe holds it to be contrary to the basic law—the provisional constitution. This is not simply a theoretical danger as several key court decisions in the last few years have shown—causing some parliamentarians to complain bitterly that government in the Federal Republic sometimes seems to be more subject to judicial decision than to that of the people's elected representatives.

One crucial point follows from the Bundesrat power over tax. The Federal Government can decide on its annual budget proposals and can push them through the Bundestag. But it cannot alone decide on the tax measures needed to ensure that the necessary funds are available. It can alter some smaller taxes on its own but on bigger ones it must have Laender support. This takes time—and it is not always the Federal Government which emerges victorious. In the late 1960s some 55 per cent of German tax revenue fell to Bonn but today it is less than 49 per cent—although the international financial commitments of the Federal Government, for example, to the ECC and the United Nations, have greatly increased over the same period.

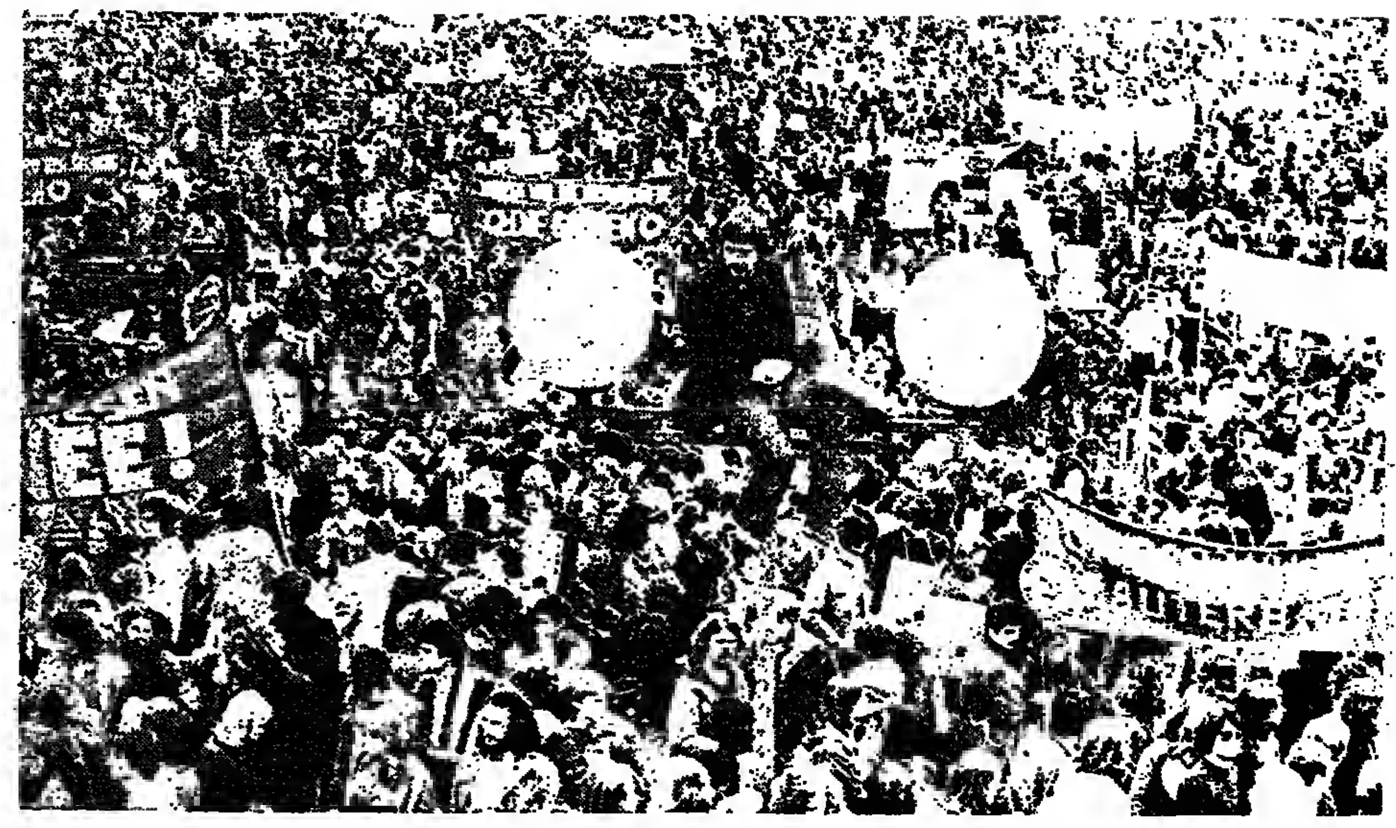
No one in his right mind would describe the Federal Republic as a poor country. But there is no doubt that its public finance structure makes it ill-placed to react quickly—for example in an international emergency requiring speedy provision of funds. It could even be argued that in some cases the federal structure itself delays decision so long as actually to jeopardise the interests of the country as a whole.

Take the problem of disposal of nuclear waste, on the solution of which the future of West Germany's energy supplies and of its nuclear plant construction industry appears to depend. The Federal Government and the Laender are long agreed that a solution must be found—but none of the Laender was keen to see the waste buried in its territory, let alone re-processed there.

That is the serious aspect of the division of powers and responsibilities. There are others. The earnest enquirer after information from a credit institute in, say, Duesseldorf who finds himself referred to the Federation of German Banks in Cologne, thence to the Finance Ministry in Bonn, which puts him on to the Bundesbank in Frankfurt, which suggests he call the Federal Credit Supervisory Office in West Berlin (which, strictly speaking, is not a constituent part of the Federal Republic at all) may well feel he is the victim of a rather expensive and time-consuming practical joke.

It has become fashionable to blame all this, like so much else, on the U.S. It is said that the U.S., with its own federal system, written constitution and Supreme Court, profoundly influence the new German system after World War II—and that this was then carried to an extreme with what is held to be typical German zeal.

There is something in this. But in truth the origins of the system go back to an age when a united Germany was at most an idea and regional nobility squabbled, competed and (some times) co-operated with one another. Despite the unity achieved under Bismarck and misused by Hitler, the Germans have retained a dislike of centralisation alongside a passion for order. The federal system thus suits them well and presents constrictions to which any head of the Bonn Government must willy-nilly adjust.



A huge demonstration in Bonn earlier this month protested against the use of nuclear power as an energy source

ELECTION RESULTS 1969, 1972 and 1976

Parties	1969 General Election % votes	Bundestag seats	1972 General Election % votes	Bundestag seats	1976 General Election % votes	Bundestag seats
SPD	42.7	224	45.8	230	42.6	214
CDU	36.6	193	35.2	177	38.0	190
CSU	9.5	49	9.7	48	10.6	53
FDP	5.8	30	8.4	41	7.9	39
NPD*	4.3	—	0.6	—	0.3	—
DKP†	—	—	0.3	—	0.3	—

* Far right. † Communist (Moscow-oriented).

View from a potential battlefield

DEFENCE

ROGER BOYES

STRATEGIC deterrence, always a somewhat fragile concept, takes on special meaning in a country whose major cities are within a few hours comfortable tank drive from the East German border. The West Germans have heen watching the latest twists and turns of nuclear theorising with particular concern. It is not, one can safely conclude, much fun being a potential World War III hattlefield.

Little wonder then that recent developments in the strategic landscape bave caused considerable anxiety for Bonn's defence planners. The foundation of German thinking on deterrence has been based on the notion of approximate parity between the super-powers, the credihility of the U.S. nuclear guarantee to Europe in case of an invasion, and an adequate European counter-weight to the Warsaw Pact's conventional troop strength.

But these principles have received something of a hattering over the past year. While approximate nuclear parity between the U.S. and the USSR is admittedly enshrined in the *SALT II strategic arms pact*, the Soviet Union has been building up its medium range missile forces, which directly threaten Western Europe in general and West Germany in particular. Thus *in* Europe the Warsaw Pact not only has a three-to-one numerical superiority in tanks; it also possesses 1,370 medium-range nuclear weapons which are not limited by any international treaty. All that Western Europe has to counter them are 264 U.S. and British missiles and 122 Frencb devices—not enough in Bonn's view to match the accuracy or the destructive potential of the SS-20 for which Moscow now has 100 mobile launching pads.

To compound these prohlems, there is an additional—perhaps exaggerated—fear about the U.S. commitment to Europe. This is not a new anxiety but it has been fuelled recently by comments in Brussels hy Dr. Henry Kissinger, the former U.S. Secretary of State. The Soviet Union would gain strategic supremacy in four to five years, he said, and tbe West Europeans should therefore not rely on the traditional U.S. nuclear guarantee in each and every conflict in the 1980s.

Dr. Kissingar recommended that longer-range nuclear missiles capable of hitting the Soviet Union should be hased on European soil. Bonn too is willing to consider this, if negotiations with the Soviet Union on restraining Moscow's medium-range weaponry fall through.

But despite the apparent similarity of aims, Bonn's thinking is hased on entirely different premises from tbose of Dr. Kissinger. The Kissinger line is that if Europe has, in special circumstances, to be decoupled from the U.S. deterrent then the NATO allies should be in a position to wage a nuclear war in Europe by themselves. The capability to wage such a limited nuclear war would then be sufficient to deter a Soviet attack without necessarily involving the U.S. at all.

Bonn on the other hand does not want the deployment of medium-range weapons to lead to a decoupling. It feels that a *force of medium-range* missiles could act as an additional rung on the escalation ladder. The continuing U.S. commitment to Europe is in Bonn's view an indispensahle part of the Alliance's deterrence strategy. *This* much was made clear in the Government's defence White Papar last month which also rejected recent suggestions—emanating from French military quarters rather than the Government—that Paris and Bonn should *co-operate* on a joint nuclear weapons scheme.

Instead of a Franco-German scheme, Bonn favours the hasing of several hundred new missiles (the number 572 has heen mentioned by senior officials) in Germany and the Benelux countries. The missiles involved—a new version of the Pershing and a *ground-launched* Cruise missile, with a range of over 2,000 km—would not actually ba controlled by the Bundeswehr; they wonld merely be hased on German soil.

Bonn is anxious to make this clear hoth to the Allies and the Soviet Union and so quash lingering fears of nuclear-equipped German revanchism. *It is also* determined *that* it shonld not be the only West European country with nuclear weapons on its territory, particularly because of the likely repercussions on its relations with the Sovlet Union.

This wish has prompted intensive diplomatic activity and Herr Hans-Dietrich Genscher, the Foreign Minister, bas held talks with the Benelux countries aimed at *securing a nuclear commitment*. It is an uphill task, made all the more complicated by Soviet President Leonid Brezhnev's offer of a troop withdrawal and a pledge to freeze the numher of SS-20s if Western Europe *decides* to reject the *basing of* new nnclear weapons on its territory.

This move *is* likely *to* strengthen tha hand of the lohbies opposed to Euro-strategic weapons in the countries concerned. Unless a decision on deployment ls reached at the NATO ministerial meeting in Decemher the qnestion of upgrading nnclear weapons in Western Europe is likely to linger on, unresolved.

Meanwhile there is also the prohlem of what form future arms talks with the Soviet Union should take. Bonn insists that NATO must couple the decision on deployment of new missiles with an offer to negotiate with Moscow on the limitation of Euro-strategic arms. Since these are, in the jargon of the trade, "grey *zone*" *weapons—systems* which are not included in the normal run of SALT talks or the conventional troop reduction talks in Vienna—the issue is particularly difficult.

Various proposals are heing considered by the Allies but judging by two reports produced hy German politicians this summer Bonn appears to be thinking on the lines of an extended SALT III format with formal consultation between Western Europe and the U.S. The question will stay open for some time, however, if only because of the uncertainties surrounding the ratification by the U.S. Congress of SALT II.

Chancellor Helmut Schmidt, along with President Giscard d'Estaing of France, called recently for speedy ratification of the pact—reflecting not only an eageroess to gai on with discussions aboui SALT III hut also the soher helief *that* the main channel of U.S.-Soviet co-operation recently has heen through SALT.

Given the potential for conflict in the 1980s between Washington and the Allies—over SALT III for example—Bonn would clearly welcome a more precise affirmation of the U.S. nuclear guarantee and increased U.S. co-operation on non-nuclear defence issues.

A case in point is the controversial AWACS air radar scheme. The idea of AWACS is to create an airhorne early warning system (by means of a converted Bueing airliner) over Western *Europe*, thus improving mobilisation times and generally hinding more closely the radar systems of the various European allies participating in the programme. Bui the scheme is expensive and particularly prone to cost escalation.

Last year after considerable haggling, West Germany and the U.S. agreed to shoulder ahout two-thirds of the cost—but in return for Bonn's participation the U.S. *agreed* to place compensatory nrders witb German industry for a new telephone exchange for American forces and for about 9,000 vehicles. These orders have been slow to materialise—held up apparently by Congressional scheduling.

Now Germany has threatened to hlock next *year's allocation* for AWACS, which could well freeze the scheme entirely. It was a hesitant type of tbreat—both the government and the opposition bave indicated that they really want the programme to *continue*—bnt it represents Bonn's unease about accepting costly U.S. defence systems and ahout U.S. ability to honour financial commitments in an era of strong Congressional power.

Tha U.S. for its part has urged Germany tn step up its defence allocation for next year from the proposed 1.6 per cent real growth to 3 per cent as pledged at the London NATO conference in 1977. The Defence Ministry bas asked for another DM 300m allocation to covar some of the fuel cost increases but this will only marginally affect its overall percentage commitment.

Bonn has two lines of defence on the issue. First, it claims thst those countries—the U.S. *included—which* bave met their 3 per cent commitment, have done so because of an unrealistically low assessment of the likely 1980 inflation rate. Secondly, the Defence Ministry argues that its military investment is focused on acquiring new conventional weaponry (tbat is, actually increasing *defence potential*) rather than just meeting higher personnel costs.

None the less, Ministry officials admit that the escalating costs of new equipment present real problems, eating severely into allocations for weaponry. There is no all-embracing answer to *the dilemma but Bonn is eager to* broaden attempts at joint European non-nuclear defence projects which could reduce basic production costs and smooth the wheels of weapons standardisation.

The U.S., however, seems to be unimpressed by the German cost problems. A letter last month from Mr. Harold Brown, the U.S. Defence Secretary, to Herr Hans Apel, the German Defence Minister, made it clear that Washington was unhappy about Bonn's 1.6 per cent real increase. As one of the conditions imposed by Congress for tha ratification of SALT II could well be yet another increase in defence spending—pushing it up well over 3 per cent—Washington can probahly afford a degree of complacency.

Whistlestop diplomacy by Herr Genscher

FOREIGN POLICY

ROGER BOYES

HERR HANS-DIETRICH Genscher, the West German Foreign Minister, demonstrated almost olympic stamina at the United Nations recently. During a fonr-day trip he held talks with foreign ministers from 30 countries, Including the U.S., the Soviet Union and East Germany. This has been the tone of much of his whistlestop diplomacy over the past year, shaking hands, showing the flag and trying to maintain the precarious equilibrium of German foreign policy.

As Herr Genscher hurtles around sensitive areas like the Middle East, one admittedly gets the Impression that be is following Emerson's advice: "in skating over thin ice, our safety is In speed." But in many ways the style has heen dictated hy the shifting nature of Bonn's foreign policy, as the country edges towards a more confident world role.

There are *features in* Bonn's world view which have remained unchanged since the 1950s: *strong* bilateral links with U.S., a mature awareness of the developing economic and political possibilities of the European Community, and a recognition that the NATO alliance hinges on tha U.S. *guarantae* to *Western Europe*. Sometimes these tenets have conflicted with each othar, and this has involved a painful (though usually temporary) adjustment of priorities for Bonn.

The philosophy persists but the old cold war premises—a strong America plus vulnerahle hut loyal Europe equals credible deterrence—have had to be updated. This has become especially apparent over the past year, which has seen the U.S. heing forced to come to terms with its limitations while Bonn bas been tentatively breaking out of its cocoon.

The *Iranian revolntion*, the presence of Soviet troops in Cuba and the weakness of the dollar have all underlined in different ways the inhibitions that have been placed on the U.S. (dubbed hy the German news magazine, Der Spiegel, as "the land of limited oportunities") since Vietoam and Watergate. *Meanwhile* West Germany, already a strong force behind Western economic summits, took on the task at Guadeloupe at the start of this year of political co-ordinator of the financial relief programme for Turkey. The very fact of Chancellor Schmidt's presence at the Guadelonpe summit, alongside the U.S., French and British leaders, was a tacit acknowledgement tbat Bonn has started to play a world political role appropriate to its economic power.

Is it a coincidence that Bonn's *political* star *has* risen *as* Washington's has fallen? Or is it a conscious attempt to fill a power vacuum left by the U.S.? Chancellor Schmidt has denied that it is the latter: Germany cannot act as a replacement for the U.S. either in tha political or the economic field—even the relatively strong German economy, he points out, ls still only about a third of the size of that of the U.S.

None the less, the political emergence of Bonn was hound to provoke some criticism and nnease. Memories of the Nazi past remain, and West Germany faces pressures not placed on other countries wben it seeks to exert its strength. Even the creation of the European Monetary System, a joint Franco-German initiative, was seen hy some as an attempt by the Germans to impose their economic and financial philosophy on others. No one seemed *to* think the French were trying to do so.

Another school of Bonn critics is *conceroed* that West Germany will he gradnally drawn out of the NATO alliance througb its links with the Soviet Union and Eastern Europe. Vague talk of plans for a neutral reunified Germany and comments hy the parliamentary leader of the Social Democrats, Herr Herhert Wehnar, to the effect that the Soviet *forces in Europe* have a purely "defensive" role: these are the elements qnoted hy those who believe that West Germany is set to become, as they put it, "Finlandised." Dr. Zbigniew Brzezinski, the U.S. national security adviser, ls said to have once belonged to the same cluh: Ostpolitik naturally arouses considerable suspicions among U.S. analysts.

There ls a refinement to this line of thonghl—Moscow could he using West Germany as a type of Trojan horse to gain access to the West. *By* making concessions to Bonn, the argument runs, the Soviet Union could be trying to use the Germans as an occasional supporter of Moscow's viewpoint within the alliance. Evidence for this seems to he, at best, threadhare. Mr. Leonid Brezhnev, the Sovlet leader, admittedly visited Bonn last year. And the Chancellor expressed dismay at the early, highly *public way that President* Carter chose to pursne bis human rights policies, fearing that this could harm detente. But this hardly adds up to a pro-Soviet conspiracy: on tbe contrary, it simply reflects the growing normalisation of Germany's role.

Both schools of critics—those who are *worried* that *Germany* is becoming too nationally oriented and those who believe that Bonn is slipping out of the alliance—are exaggerating Germany's room for manoeuvre. German foreign policy has to balance the needs of defence with the needs of deterrence, the commitments to the European Community with those to the U.S. and its economic need for friendly relations with Arah countries with its historic commitment to the Israeli state. In between these competing demands, Bonn bas to carve out

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Limited room for manoeuvre

ENERGY

ROGER BOYES

THREE geographically distant places — Iran, Gorleben and Harrisburg—have haunted West German energy policy-makers over the past year. Both the Iranian revolution (which resulted in reduced exports of crude to Germany) and the nuclear accident at Harrisburg (which has fuelled the protests from anti-nuclear lobbies) have underlined Bonn's limited room for manoeuvre. At home too the ruling Social-Democrat-Free Democrat coalition met with a further setback when the Christian-Democrat-controlled State of Lower Saxony refused to allow the construction of an integrated nuclear storage—and reprocessing — plant at Gorleben.

Partly shaped by these events Germany's energy policy now stresses the need for coal, the development of alternative energy sources and new technologies, a diversification of oil suppliers and incentives for fuel-saving. Nuclear power has meanwhile been portrayed by the Government as an interim energy source, needed to fill the gap while other sources are developed.

But the road to a balanced energy policy is paved with good intentions — intentions which are moreover being sapped by political and technical uncertainties. Nuclear power is still under a cloud, with both the coalition parties split on the issue and even the Government's policy on coal has been attacked. The nub of the problem though is oil, which accounts for over 50 per cent of Germany's primary energy needs; almost all of it has to be imported.

Lagged

Until last year Iran was Germany's biggest supplier of crude, delivering about 17m tonnes annually. But after the overthrow of the Shah imports lagged, reaching a low of 300,000 tonnes last March. Although Iran briefly occupied the role of No. 1 supplier again in June (following the stabilisation of Iranian production at the 4m barrels a day level), it has over the past eight months shifted to seventh position. Much of the latest Iranian oil has anyway been reaching Germany via the Rotterdam spot market, making it exceptionally expensive.

So how has Germany been filling the gap? It has on the one hand turned to countries like Saudi Arabia and Libya and on the other has upgraded the role of North Sea oil producers such as Britain and Norway. The new emphasis on North Sea oil has created for Germany and other EEC countries the quandary over whether British oil should be included in the oil import limits agreed at the Tokyo summit in July. The EEC agreed to limit its total imports to 472m tonnes annually over the next six years but individual national limits are still a problem and the U.S. is seeking a commitment that additional British oil supplies will not be used to supplement national quotas.

Although British oil has taken on an increasing importance in Germany's import requirements, its role should not perhaps be exaggerated. Saudi Arabia (since the Iranian crisis) is by far the largest exporter of crude to Germany (8.8m tonnes in the first six months compared to 6.7m tonnes in the corresponding period of 1978). Libya has become the second most important supplier (8.4m tonnes against 7.6m tonnes in the first half of last year) and Nigeria has shown the most dramatic increase in oil exports to Germany (8.3m tonnes compared to 3.9m tonnes). By contrast Britain supplied about 5m tonnes in the first half.

The increases in crude supply show that the country has not really been hit by California-type shortages. With total oil imports at 53m tonnes in the first half compared with 44m tonnes in 1978 and demand edging up only slowly (about 3—4 per cent is the latest estimate, although the winter demand for light heating oil will push this up), Germany appears to be in a relatively stable position.

Bonn has been trying to control demand for petrol and heating oil by what it chooses to call the operation of "market forces" rather than through statutory saving measures. Thus a 100 km speed limit on the motorways (though supported by Dr. Volker Hauff, the Social Democrat Research Minister) has been ruled out by Count Otto Lambsdorff, the Free Democrat Economics Minister.

As prices of light heating oil and petrol (now well above the established "psychological" barrier of DM1 per litre) have increased, so too has criticism of the oil majors. The Federal Cartel Office has expressed scepticism that the price increases have been wholly justified by the OPEC rises.

The oil concerns maintain that they make only about one pfennig per litre profit on petrol—which is nonetheless considerably more than they have been earning over the past few years. Bonn has introduced a measure—due to be voted on later this year—which should give the Cartel Office more power to deal with across-the-board price increases by the oil majors. But the Government has stopped short of giving price commission-like authority to the Cartel Office—this would, claims Count Lambsdorff, simply have the effect of giving the stamp of Government approval to all the activities of oil concerns.

Dilemma

But there really is a dilemma. How does one carry out an effective energy saving programme (and convince the public at large that savings are an urgent necessity) while at the same time adhering to "free market" principles. A programme of grants and tax concessions to improve conservation in residential buildings was launched last year—expected to save 1.5m tonnes of oil-equivalent annually—and industry has been offered 7.5 per cent grants for energy investment.

These measures have been supplemented by a programme announced by the Chancellor this summer — but action remains rather piecemeal. The temperature in public buildings has been limited, investment in public transport is to be encouraged and the Government is to speed up moves to end oil-fired power stations.

The dominant message in all the plans announced this year is that domestic coal could prove to be the salvation of the German economy. Some DM 6bn is to be ploughed into the coal industry next year.

Coal has become competitive again in Germany—in many regions it is cheaper than heavy heating oil, the staple fuel of industry. Ruhrkohle, the country's largest producer, estimates that an extra 7m tonnes of coal could be produced annually to fill the energy gap (production stood at 95.7m tonnes last year, itself a jump of 11.9m tonnes on 1977) while an additional 10m tonnes could be diverted from exports. By the mid-1980s coal could account for 23-25 per cent of primary German energy needs, compared to under 18 per cent at present.

This sudden recognition of the coal option has also led to the lowering of the "Kohlenpfennig" subsidy — German power companies have their coal-fired capacities subsidised by an amount calculated to represent the difference between electricity produced from oil and that produced from coal. With the rising price of heavy heating oil it seemed inevitable that the costly subsidy would be reduced. Of the DM 4.1bn of State subsidies to coal in 1978 about 50 per cent went towards the Kohlenpfennig, which was then financed by a surcharge on electricity bills.

The scope of these subsidies illustrates the high long-term costs of the "coal option." Technically recoverable reserves total about 23.9bn tonnes of hard coal and 10.5bn tonnes of sub-bituminous and lignite (enough at 1975 rates of consumption to last for 275 years) but economically recoverable reserves are put at about 10bn tonnes. Moreover, most of the current lignite deposits are close to heavily built-up areas of the Ruhr, presenting ecological and social problems.

Is too much hope being pinned on domestic coal production? Some interest groups clearly think so. With large gasification and liquefaction projects going ahead, with the drive for coal-fired power stations and with an upturn on the steel market (and higher demand for coking coal), much pressure is being put on domestic producers. This has led to a more flexible approach to coal imports (strictly controlled at present to protect home production) and a Cabinet committee has already recommended that the Government's limit of 5.5m tonnes on non-EEC imports be increased to 6.6m tonnes.

The real problem for coal is bound up with the uncertainties surrounding nuclear power. Can coal adequately fill the supply gap opened up by the delayed expansion of nuclear capacity? Anti-nuclear groups have been securing injunctions against the construction of nuclear power stations on the basis that no new plants can be built without satisfactory provision for the disposal of spent fuel. If there are continuing delays in approval the Government will have to expand its coal-fired power station network.

There are various estimates as to what this will actually mean in terms of additional coal imports. According to the most pessimistic calculation, hard coal imports may have to be as much as 72m tonnes by the year 2000. The various German economic research institutes are less gloomy, however, and are forecasting a need for 20m tonnes of coal imports in 2000. Whatever the case, interest groups are currently urging the Government to step up coal imports radically in order to capture a slice of the world market.

The decision to reject the Gorleben integrated storage-reprocessing centre has thus sent ripples well beyond the nuclear industry itself. The Government stands by the concept which among other things—reduces the risks involved in transporting radioactive material all over the country. There has been slight movement on the issue—and Herr Ernst Albrecht, the State Premier of Lower Saxony, who opposed the concept on the grounds that it was politically rather than technically impractical, has allowed test drillings to go ahead to see if the site is suitable for waste storage. The issue of reprocessing is still far from solved, however. But the major political battles on nuclear energy are still ahead. Both of the coalition parties are split internally on whether nuclear power should be used at all. The FDP decided, however, at their party conference this summer to keep the nuclear option open.

Progress

The SPD leadership has officially recommended to its members that the development of nuclear power should be allowed to go ahead, providing that progress is made on the Gorleben concept or (should this prove politically impossible) if a contractual agreement can be reached on intermediate waste disposal pending a solution on Gorleben. This tortuous phrasing takes into account shades of opinion within the party apart from the strict anti-nuclear activists who are urging that the Government look more seriously at alternative energy sources.

Gas, for example, could account for 18 or even 20 per cent of Germany's primary energy needs in the 1980s. But the transport costs — whether in liquefied form from Algeria or through the trans-Europe pipelines from the Soviet Union — are high. And gas supplies can be as vulnerable to outside developments as oil, as the recent collapse of the Igat-2 pipeline deal between Iran and the Soviet Union showed. The full implications of this development for the triangular switch deal (in which the Soviet Union had agreed to supply Germany some of the gas it received from Iran) are still not known.

All the more reason then to push coal gasification and liquefaction schemes, the technology for which has been the traditional strength of companies like Lurgi Gesellschaften and Krupp Koppers for decades. The coal research institute in Essen has tested a process that distils about 54 per cent of the weight of coal into oil. Over DM 600m is to be invested in coal-into-gas and coal-into-oil project techniques in the coming year.

Much to the chagrin of SPD "alternative energy" activists like Herr Erhard Eppler, party chairman in Baden-Wuerttemberg, nowhere near that amount is being invested in wind, wave and sun power. Solar panels have been placed in research houses and even on a few Bundeswehr barracks, but the cost of solar receptors and storage has been a deterrent factor for the leaders in Bonn. This is perhaps hardly a surprising response from a town which has seen precious little sun during the past summer.

Diplomacy

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a policy which adequately reflects its economic strength and political stability.

Thus Ostpolitik, Bonn's conciliatory policy towards Eastern Europe, is not carried out at the expense of the U.S. Rather it is consciously pursued under the mantle of U.S.-Soviet relations. Without U.S.-Soviet detente, Ostpolitik could not have been started 10 years ago, and essentially the same conditions persist today. Chancellor Schmidt has been one of the most energetic proponents of the Salt II strategic arms treaty (though he is aware too of its shortcomings) because it has been the principal channel of U.S.-Soviet detente over the past three years.

Non-ratification of the treaty would not only complicate a NATO decision on the placing of theatre nuclear arms in Europe. It would also have a serious impact on Ostpolitik, which has lost some of its early impetus. True, there have been considerable humanitarian benefits from the Ostpolitik—thousands of people (mainly pensioners) have left East Germany for the west, thousands more ethnic Germans have left Poland and the Soviet Union. Intra-German travel conditions have also improved.

But relations between East and West Germany could not, by any stretch of the imagination, be described as healthy. East-West German trade has been stagnating, restrictions have been imposed on foreign and West German journalists in East Berlin, and Chancellor Schmidt—who has travelled this year to most of the East European countries — has studiously avoided a summit with Herr Erich Honecker, the East German leader. In so far as there is any flexibility in East-West German relations it is in the energy field, where a frank recognition of interdependence has led to a number of useful deals.

The dependence is mutual because of the city of West Berlin. As an urban island within East Germany it is dependent on energy supplies largely from East Germany itself—and a large slice of goodwill. West Berlin is ultimately the reason why Ostpolitik is not an optional policy for Bonn: despite the difficulties involved, despite the suspicions that could be aroused in the alliance and the U.S., an accommodation has to be reached with East Germany and, by extension, Moscow.

A similarly tight range of options confronts Bonn when it considers its own energy situation. Heavily dependent on oil imports, Bonn has tried to diversify its suppliers, turning to the North Sea oil producers and Nigeria. But inevitably the bulk of the crude has to come from Arab suppliers, a fact which in turn has spawned two tours of the Middle East this year by Herr Genscher and, the Israelis claim, a softening of its position on the PLO. Yet how does Bonn reassure Israel of its good intentions after the atrocities of the Second World War?

It is with a certain relief perhaps that West German leaders turn to the intricacies of European Community politics where Bonn has established stable and friendly relations with its partners. Even here though there are difficult balances to be maintained—between cutting farm surpluses and reforming the CAP on the one hand, and placating the domestic farmers lobby in the run-up to a general election on the other hand. And a balance, too, between policies designed to keep price stability at home with the anti-inflationary needs of other less powerful European economies.

West Germany's tentative debut as a political power has had its problems too, not least because it has raised the expectations of other countries—expectations which often call for uncomfortable sacrifices from the Germans. The Third World, for instance, has criticised Germany for its relatively low foreign aid allocations and the U.S. has also criticised Bonn for falling short of its commitment to a 3 per cent real increase in defence spending. The never-quite-accurate description of Germany as an "economic giant and a political dwarf" was a useful slogan which allowed Bonn to sidestep some of the major political problems in the world. Now it is having to face up to a role which stops short of world leadership on the U.S. model but which none the less is able to articulate politically its economic power.

Lack of orders brings lay-offs

NUCLEAR POWER

DAVID FISHLOCK

In mid-summer 1975 West Germany appeared set to give France a good run in its bid to displace the U.S. as the dominant nation in nuclear energy. Not only did it have a healthy domestic nuclear programme of construction based on a clear need, as a nation short of indigenous fuels; it had just secured the world's largest nuclear export contract. This was to provide Brazil with virtually a ready-made industry and in the process teach it to be an independent new member of the nuclear energy club.

The German-Brazilian contract, formally ratified the following year when several joint companies were formed to handle purchases and technology transfer, marks a turning point in German nuclear affairs. No new nuclear station has been ordered at home since 1975. The contract for two reactors with Iran has been cancelled, so far at a big loss to German industry. The Brazilian programme is proving much slower and smaller than Germany expected in 1975. The single bright spot of recent years has been the award this month of a contract for a second heavy water reactor for Argentina.

Just how perturbing the problem has become for industry became clear early last month when a group of leading industrialists engaged in power station construction warned of the danger that the industry could lose employees and expertise vital to its future; people who had been training effectively for as long as ten years.

Herr Klaus Barthelt, chairman of Kraftwerk Union — the core of Germany's nuclear industry — said his company was already having to lay off staff for lack of new orders. But the situation was still more serious for smaller companies. About 700 of them are engaged in the construction of a nuclear station in Germany, most of them employing fewer than 200 but all with a high level of expertise.

Behind the warnings lay the particular problems of Gutehoffnungshuette (GHH), the group which makes the all-important heavy components for nuclear reactors. GHH, deeply worried about the disproportionately large impact that pockets of opposition to nuclear power appear to be having in delaying every German nuclear project, had proposed that the electricity industry should simply order one new nuclear station a year regardless of whether it had a licence to construct. GHH would then have a modest but steady workload for its long lead-time components. Similar schemes are being considered in Britain to help build a stronger domestic nuclear manufacturing industry.

In the event Germany's electricity industry refused to accept GHH's scheme as too risky financially, while the nuclear opposition is still able to block new nuclear construction through the courts with comparative ease. Instead, the two biggest German electrical utilities, RWE and VEW, agreed to participate in a Press conference to publicise the woes of the sole German source of some of its key purchases—and not only of nuclear components. The event was well covered by the media in Germany, and in the estimate of one RWE executive, about 80 per cent of the coverage was sympathetic to the industry's problems.

The industry now hopes that Germany's political leaders will take heart from its initiative and have the courage of their private convictions that the country should quickly reinstate its nuclear programme.

No major political party is against nuclear energy. Both Chancellor Helmut Schmidt and his chief rival for office, Herr Franz Josef Strauss, are unequivocally for nuclear power. The Chancellor early in May abandoned at the eleventh hour a muted statement in favour, already circulated to German industrialists, and opened the European Nuclear Conference in Hamburg with a much more vigorous declaration of faith.

"I am convinced that we must keep open the option of nuclear energy," he said. It was already playing an "indispensable quantitative role" in supplying the global economy with energy—a role it would have to continue playing at least for the rest of the century. "We would be needing nuclear energy even if only to meet the developing countries' demand for energy resources under favourable economic conditions."

Chancellor Schmidt also stressed the importance of the technology as the foundation of a modern industrial sector "with a great number of jobs based on fulfilling the needs of tomorrow" and as "an important element of technological progress in industry as a whole." Once shut down, he said, it would prove impossible to reactivate the industry.

Nevertheless, the Chancellor expressed sympathy with public concern about the safety of nuclear power in the aftermath of the U.S. reactor accident on Three Mila Island in March. It was "forcing politicians, scientists, engineers, economists and antrepreneurs to entertain serious second thoughts about problems raised by nuclear energy. It would be foolish to deny that the Harrisburg event has seriously impaired the credibility of those who maintain that resort to nuclear energy is necessary and tenable." He proposed a joint international re-examination of all aspects of nuclear safety, along the lines of the International Nuclear Fuel Cycle Evaluation (INFCE), where Germany is one of over 50 participating nations.

German industry believes it has a stroog case to make for its own brand of nuclear energy. It has taken the U.S. pressurised water reactor (PWR) and redesigned key features to raise the standard of performance, reliability and above all safety. Its engineering efforts are reflected in the higher prices quoted for German reactors—as much as 30 to 40 per cent higher than those of some of its overseas competitors, in the estimate of one German industrialist.

But those efforts have recently been vindicated by the results of a study of reactor performance since 1965 carried out by researchers at Imperial College in London. In an examination of the performance of 106 light water reactors, they find that German-built PWRs constructed in the last ten years have performed significantly better than reactors built anywhere else in the non-Communist world.

The German electricity industry has no doubt what its lowest-priced option for future generating capacity will be. Eleven German utilities own, share or are building nuclear plants. Currently Germany obtains about 11 per cent of its electricity in this way. It has been higher but a new national policy to burn an extra 33m tonnes of indigenous hard coal a year is reducing the nuclear proportion slightly.

The largest German utility is RWE, with about 26,000MW of installed generating capacity, half of which burns soft coal and only about 3,000MW derives from nuclear plant. The Federal Government now requires RWE to burn an additional 7m tonnes of hard coal a year; at a price which is double the cost at the station of bringing coal all the way from South Africa. Electricity generated from this German coal will be twice as expensive as nuclear electricity—an extra cost that the utility will want to pass on to its customers, says an RWE executive firmly. But in order to burn the extra German coal it may be obliged to cut back on its nuclear electricity output.

Ironically, it is already being obliged to do this for quite a different reason. It cannot rid its nuclear plants of spent nuclear fuel at a rate fast enough to keep the twin 1,300-MW reactors at Biblis operating at full capacity. Because of endless delays in making provisions for spent fuel storage in Germany itself, and because France will not be ready to receive German fuel in large quantities for reprocessing until 1981, this situation is likely to persist for the next two years.

Procedures

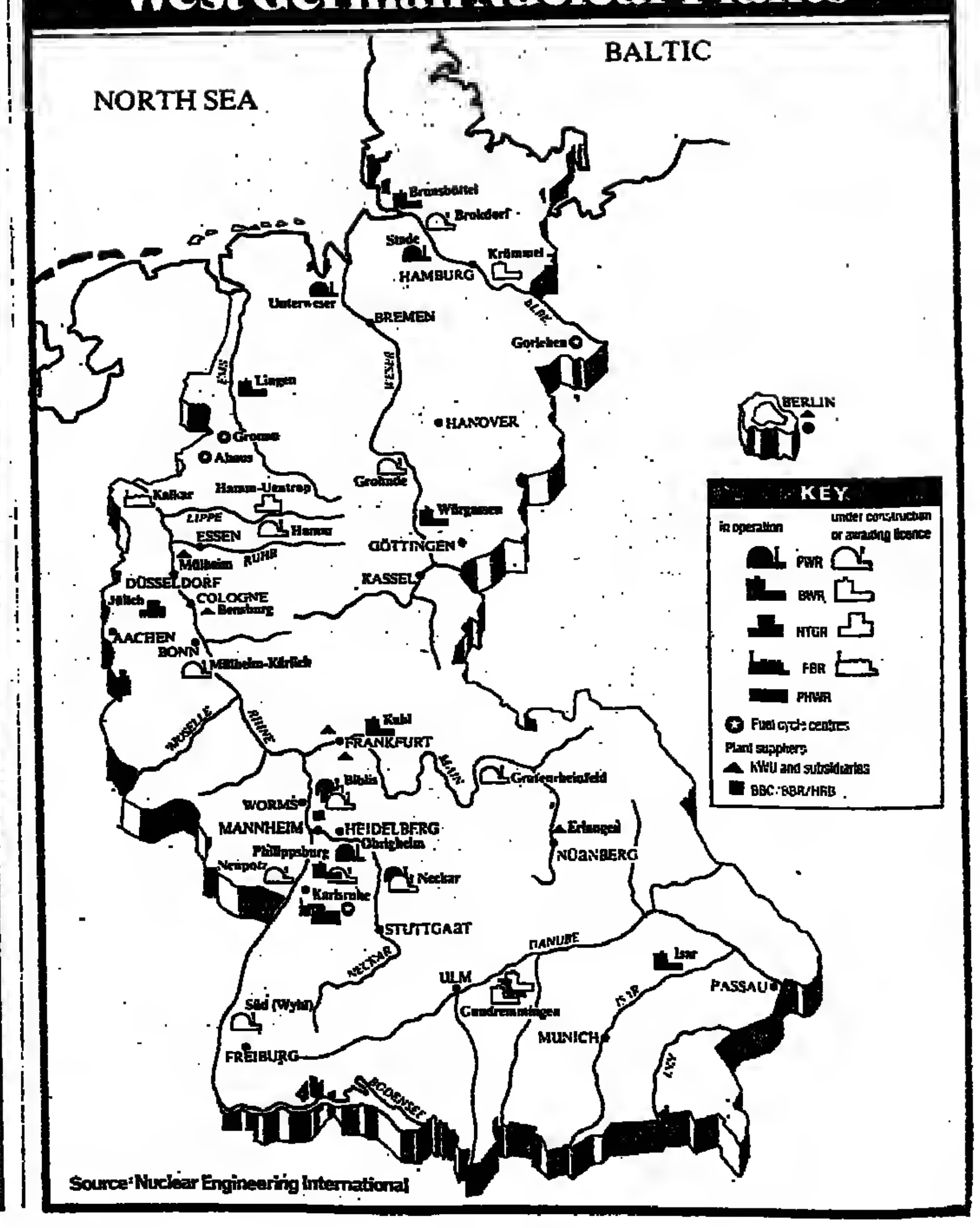
Theoretically it would be still possible to build repositories for spent fuel and keep the plants working at full capacity. One idea is to store the fuel in relatively cheap cast-steel casks, until the new ponds under construction in France are ready to receive it. But the idiosyncrasies of the German nuclear licensing procedures and the all-out efforts opponents of nuclear power are making to impede progress in the courts render it unlikely that a licence for temporary storage would be granted.

There have certainly been some idiosyncratic court decisions over nuclear questions. A woman judge in Stuttgart upheld a defence by two electricity customers that they had failed to pay 10 per cent of their electricity bills because they did not approve of the utility supplying nuclear-produced electricity.

But the problem starts with the political leaders. Herr Albrecht was once a strong advocate of plans to build what Chancellor Schmidt has called "an example internationally"—the integrated nuclear fuel disposal centre at Gorleben. But Herr Albrecht admitted quite candidly this summer that—for political reasons, not for any reasons of safety—he was not going to allow the full plans to proceed.

The latest proposal, agreed late in September, is that plans for a single 1,500 tonnes-a-year reprocessing plant at Gorleben will be replaced by fresh plans for several smaller units of about 400 tonnes capacity, at separate sites. Gorleben will then be required only as a site for the disposal of nuclear waste. Thus West Germany will be abandoning plans for one of the most sophisticated nuclear facilities so far devised, combining reprocessing fuel fabrication and waste storage on a single site.

West German Nuclear Plants



Source: Nuclear Engineering International

Hope of avoiding pay conflicts

LABOUR

LESLIE COLITT

IN A recent interview with Norwegian television, Chancellor Helmut Schmidt summed up West German industrial relations by noting the trade unions "always knew that if they aimed to achieve that much they had to demand this much but not too much. And the employers always knew that if they offered that much they would still have to add this much in order to reach an agreement."

This willingness on both sides to accommodate in wage negotiations is the premise on which West Germany's industrial peace has been based. Conflicts such as last year's bitter strugglea in the metalworking, engineering and newspaper industries arose wben non-pay issues prevented a settlement. Last year it was job security for skilled workers facing automation, a demand the metalworkers and printers won only after prolonged strikes and retaliatory lockouts. The ill-will that resulted looked to some West Germans like a revival of Klassenkampf, the class struggle that most Germans know only from the history books.

With wage agreements in the metalworking and engineering industries set to expire next January 31, the opening shots have been fired by IG Metall, the largest of the West German trade unions, with 2.7m members, and Gesamtmetall, the respective Employer's Federation. Both sides are fully aware that the outcome of tha wage negotiations will set the tone for settlements in other industries.

IG Metall strongly hints it will make a 9 per cent wage claim consisting of productivity gains, inflation compensation and an added amonnt for oil-induced inflation. The employers, though, say they will not make up for the effects of this year's unexpected oil price rises on workers as this they say is a matter for the Government.

Chancellor Helmut Schmidt has beld a meeting with union and employer representatives in order to head off industrial unrest in the coming months. Herr Schmidt spoke of the need to keep West Germany a non-inflationary island and, in fact, invited oil company officials to explain wby they were not simply raking in profits.

The talks with the Chancellor strongly resembled the "concerted action" meetings held between employers, unions and the Government until three years ago to thrasb out economic problems. This alone is a sign that relations between labour and management have considerably improved since last year.

Another hopeful sign is that the unions and industry are back to arguing about dry economic data and not thorny issues snch as the 35-hour week, which have been put to rest for the next few years. Herr Eugen Loderer, the metalworker's chairman, is charging that industry has been "forcing up prices" and thus threatening tha basis for the waga negotiations.

The employers reply that the 6 per cent increase in wages and salaries per working hour this year has been accompanied by productivity increases of only 3.5 per cent. Industry's price increases they say have been an excuse for calling in question mere 2.9 per cent and are no excuse for calling in question the Geschaeftsgrundlage (which revealingly may ba translated as either the "business basis" or the "underlying basis for achieving a contract") for the wage negotiations.

Things may well get more acrimonions, but there is no indication the "wage partners" will not stick to the Geschaefts-grundlage.

Economic conditions in the Federal Republic auger well for peaceful wage settlements, witb unemployment dropping to 3.2 per cent last month and averaging 100,000 fewer people out of work thia year than last. Herr Hans Mayr, a member of the Executive Board of IG Metall, says the unions "are taking into consideration the entire economic situation in their demands" and he adds that "I don't believe the employers think otherwise."

Herr Mayr notes that sometimes foreign trada unionists "tell us we should demand extremely high wages so that manufacturers would have to charge such high prices that the outcome would be mass unemployment and ultimately the creation of a new social system. We reply to them that if you want to change the social system then do it through the political parties. But our job in wage negotiations is not to do anything of the kind."

Another factor at the heart of the working relationship between unions and management is the readiness of the German trade unions to accept new technology and the willingness of German employers to disclose information about industrial change to employees at an early stage. The compelling reasoo, Herr Mayr explains, is that "if we don't rationalise in the Federal Republic then the competition will. And then we are the ones who would disappear."

The leadership of the DGB, the German Federation of Trade Unions, is nevertheless under considerable pressure from both its safety and health experts and from the shop floor to see that rationalisation does not lead to an "intolerable stress" on workers.

Herr Reimar Birkwald from IG Metall criticises the way rationalisation has often taken place without any studies of the stresses this has put on workers. He says extreme divisions of labour have led to a widespread curtailment of personal freedom and that pressures on employees to produce may lead to "intolerable physical and psychie strains."

IG Metall recently conducted a survey among 100,000 metalworkers in 500 factories in the Stuttgart region that reveals the German worker is not quite as content as might be expected with an average industrial wage of DM 2,400 a month.

Every third worker said he was afraid to go to the doctor for fear of losing his job, although more than half the workers said they were not in good health. Job pressures and stress are constantly increasing, the workers said, and this infloenced their lives after working hours. Every other sbift worker reported difficulties in slaeping. Women and shift workers said they felt so "kaputt" at the end of the week that at the most they were able to take in a film on Saturday.

The Stuttgart area workers described why their time at home is largely spent watching television. "Private life is the few hours left over after the working day and sleep," was a typical reply. One out of three metalworkers in the region called his job "very strenuous" and more than 75 per cent of white collar workers and 67 per cent of factory workers said they were under growing pressure to produce. Over 35 per cent nf them believed their jobs are threatened by extinction, with women and sbiftworkers showing the greatest anxiety.

As for opportunities for advancement, 1.6 per cent of the factory workers and 0.2 per cent of white collar workers said there were "very good" chances, while nearly balf of them said their chances were "as good as nil."

Herr Franz Steinkuehler, head of IG Metall's Stuttgart region, maintains that "creativity is one of the most troublesome ingredients in industry and that everything is done to smother it." He led last year's metal-worker's strike in the area, and although several of his demands were rejected by Frankfort beadquarters Herr Steinkuehler nonetheless agrees that the union leadership must have the final say or "we would bring on Englisb conditions bere."

The Mitbestimmung Act of 1976, or worker's participation on supervisory boards, has been fully in effect since last year, but the DGB still saya it falls far short of its demands. It notes that higher-ranking salaried employees have special rights and privileges and that equality is not established between capital and labour on the Supervisory Board. It also criticises that the appointment of the Director of Labour Relations on the Managing Board is not made dependent nn the votes of worker's representativas. The DGB does say, however, that it will utilise the "limited possibilities" of the co-determination law to the maximum benefit of its members, while not losing sight of its goal of a "wide-ranging democratisation" of the economy.

Management for its part is no more enamoured of Mitbestimmung, but Herr Heinz Duerr, chairman nf the Baden-Wuerttemberg Federation of Metal Industries, says it has worked out better than many bad dared bope. He is still convinced, however, that it brings the unions into an "identity conflict." Herr Dnerr says that the employee "wbo sees bis supervisory board member drive np to the administration building 11 months a year and then sees him wearing a red belmet at the front gate dnring a labour dispute in the 12th month is going to wonder wbo that man really is."

Compared with the antagonistic rhetoric that was heing exchanged between the unions and employers last year, both sides are now taking pains to appear reasonable. The chairman of the DGB, Herr Heinz Oskar Vetter, and the chairman of tbe Employers' Federation, BDA, Herr Otto Esser bave had their second meeting after a break of several years, and both men said progress was made toward improving the climate of their relations.

The subject of the "concerted action" was not directly broached at the talks, but trade union sources say the top level meetings might be revived at a future date. The Government-sponsored talks involving the unions, management, Government ministers and other economic groups were boycotted by the DGB in 1977 after a Constitutional Court lawsuit was brought by the employers challenging the Worker's Participation Act. Last year the high court ruled that participation was constitutional, and tbe bitterness has worn off on both sides so that the interrupted dialogue to achieve a workable compromise in industrial relations appears to be well under way.

Another meeting took place earlier this month between Herr Zetter and Herr Franz-Josef Strauss, the candidate of the Opposition CDU and CSU for the chancellorship. The two men, who in the past have exchanged bitter charges, agreed to avoid such "personalisation" during the coming election campaign. This, however, is unlikely to prevent more outspoken union officials from attacking Herr Strauss, whom they regard as their number one political target.

The fear of bigness

BUSINESS COMPETITION

A. H. HERMAN

THE LESS there is of something the better it is appreciated and this may well be why competition is such an article of faith in West Germany. The giant steel and chemical companies and the industrial empires of the big banks continue to control the most important sectors and do not leave much to the free play of market forces.

There is also a thick undergrowth of small enterprises, often developed with an eye to the possibility of an ultimate take-over by one of the big ones, a take-over which provides the ageing owner with an easier life or comfortable retirement.

While the big merely dislike competition, the small are afraid of it. The service industries and distributive trade are far less concentrated in Germany than, for example, in Britain. The independent workshops and stores protect themselves by combining for joint purchasing or other activities; and in addition use their considerable political muscle to press for legislation which would shield them against the buying power of chains and departmental stores, and of the mushrooming supermarkets and casb-and-carry discount stores.

The Federal Cartel Office runs a special project called "buyer's power," to try to stop "unjustified" discounts, entrance fees, renting of window and sbelf space (demanded and obtained from suppliers by the big stores) wbenever thesa practices threaten to eliminate the small shop from the market.

The small traders, particularly in the food industry, try also to protect themselves by adopting and registering with the Office codes of fair competition. However, these are often transgressed and there is a considerable reluctance to ask courts or the Office to enforce them.

Another, more effective defence is co-operation between the small and medium-sized enterprises, exempted from the otherwise strict prohibition of cartels by the Competition Act. In 1978, no fewer than 700 enterprises made use of this facility, concluding abont 80 agreements for joint marketing and purchasing, for specialisation of prodnction and joint research and development.

While praising co-operation insofar as it helps small enterprises to survive, the Office watches with a jealous eye for any excessive powers of sucb new organisations, restricting the freedom of action of their members or suppliers. It bas started recently to investigate co-operation agreements of retailers and the investigation extends over the entire field of consumer goods.

The Office's second main concern is the threat which acquisitions by large enterprises pose to the continued existence of small and medium-size industry—seen not only as a safeguard of a pluralist, competitive market economy, but also as a basis of a liberal free society.

Of the 554 mergers and acquisitions notified to the Federal Cartel Office in 1978 206 could not be investigated because they benefited from the exemption which the law provides for the acqnisition of enterprises with a turnover under DM 50m. Of these 206, most (86 per cent) were acquired by companies with a yearly turnover of more than DM 1bn.

The trend to concentration of industry into the hands of a few large enterprises seems to be confirmed by figures for the five years since 1973. Of the 2,338 mergers notified in the period 1973-78, 519 were acquisitions by 10 enterprises: Veba (116), RWE (94), Shell (46), BP (45), Hoechst-Estel (42), Dresdner Bank (39), Westdeusche Landesbank (38), Salzgitter (35), Thyssen (34) and Ready Mixed (30).

The sharp increase in the number of merger prohibitions — out of a total of 23 since 1973, 11 were made in 1978 — is an expression of growing concern of the German Government: Three of the 11 prohibitions were the result of 1976 legislation for stricter control of press-mergers. But equally important was the support received by the office from the Federal Supreme Court, particularly in its GKN-Sachs decision.

Thia implanted into German competition law the American doctrine that competition can be impaired by the deterrent effect of the merger on actual and potential competitors whenever one of the companies operating in a particular market is taken over by an outsider with large financial and other resources. This effect is further aggravated, said the count, if, as in the case of GKN, the acquiring company is well entrenched in neighbouring markets.

Last month the Berlin Appeal Court confirmed the 1978 prohibition of an important acquisition by Klockner. This would unite in one hand the production of mining machinery of Klockner-Ferromatik and of Becorit, in which the British company Dobson Park bas a 25 per cent participation.

An important extension of the reacb of the German merger control was achieved by the Federal Supreme Court which held, earlier this year, that Bayer was obliged to notify the cartel office of an acquisition of a U.S. company by one of its indirectly but fully-controlled U.S. subsidiaries.

Though the aggregate share of Bayer and the U.S. target company (Allied Chemical Corporation) would be less than 4 per cent of the German market for inorganic pigments, the Supreme Court held that the merger would have effect in Germany, also by forestalling a potential entry of Allied Chemical as a competitor. This "long-arm" doctrine is significant in view of the accelerated pace of German investments in the U.S.

Merger control is likely soon to be made even stricter by legislation. The bill for the fourth revision of the Competition Act in West Germany may become law towards the end of this year or early 1980.

If the amended Competition Act is adopted in its present form, it will become almost impossible for a company with a yearly turnover of DM 2bn or more to obtain Federal Cartel Office approval for any acquisition, however small. In particular, the law would make it impossible for such a large company to gain by acquisition a 5 per cent share in a market formed mainly by small- or medium-sized companies.

In such a market, there would also be a ban on mergers between two or three leading companies, if, taken together, their shares command up to 50 per cent of the market.

The question of divestment

BANKING

GUY HAWTIN

BUSINESS ASSOCIATION annual get-togethers, in Germany like everywhere else, tend to be friendly affairs, tempered by not a little self-congratulation. Harmony is the rule and discord is usually frowned upon.

This was the atmosphere prevailing at the West German banking industry's yearly conference this spring as the country's banking chieftains sat down to listen to Count Otto Lambsdorff, the Federal Minister of Economics. But by the time the Minister had finished speaking the mood had completely changed—Count Lambsdorff had mercilessly attacked one of the industry's cornerstones.

He informed the bankers that he favoured a drastic reduction in the banks' massive holdings in German industry. Admittedly, he did not threaten direct legislation to this end, but he went far further in his criticism of the practice than any leading member of the Government had done, either in public or in private.

What stung particularly is that Count Lambsdorff is a man who in his business life has worked closely with bankers. He was a director of one of the country's insurance institutions—which also have substantial industrial holdings—and clearly knows his subject.

West Germany's universal banking system differs radically from the Anglo-Saxon concept of things. There is no enforced separation of deposit and investment banking functions. The banks are free to offer the whole gamut of banking functions under one roof, including merchant banking.

They manage their own massive equity portfolios at the same time as managing portfolios on the part of the customers. They trade heavily on the stock exchange on their own account as well as acting as dealers for the public. They run most of the country's leading unit trusts and, on the industrial side, not only own large chunks of industry but also provide much of its financial advice together with the bulk of the credit.

Count Lambsdorff said that he favoured limiting a bank's long-term holding in any non-banking company to a maximum of 15 per cent of the equity. While he was far more generous than the Federal Monopolies Commission, which has recommended a 5 per cent limit, it was well below the 25 per cent plus one share maximum suggested by a Government commission on the banking industry not long after his speech.

The Gessler Commission took five years to investigate banking practices and in May submitted a wide-ranging set of proposals aimed at reducing the banks' power over industrial companies. But apart from its more generous maximum holding recommendation, it was also rather more reasonable than the minister on the question of exceptions to the rule. These include the acquisition of shares in the public interest with the agreement of a Government agency, shares acquired for the purpose of reorganising companies in distress and shares acquired as collateral for loans. This, in all fairness, gives the banks plenty of scope for imaginative exploitation of loopholes.

To make divestment easier, the commission recommended that there should be a transitional period of 8-10 years for the banks to comply with the new law. Income tax on profits from sales should be scrapped or substantially reduced, it said.

Divided

The commission, however, was deeply divided on most crucial issues. It is understood that five of its 11 members were in favour of limiting banks' holdings to a maximum of 10 per cent in any enterprise. While the commission recommended that bankers' proxy voting rights (Depotstimmrecht) should be maintained, a "large minority" on the Commission were reported to be in favour of abolishing the long-term proxies completely.

It was also split on the question of the use of "special compulsory instructions" to guide banks in the use of their proxies. Even the minority, however, agreed that the banks should be able to exercise specific proxies on behalf of the shareholders.

In any event, the commission — named after its chairman, Professor Ernst Gessler — reaffirmed its faith in the universal banking system. The concept should not be changed, it said. Nationalisation or the extension of Government influence over the sector would neither benefit the banks nor effectively reduce their power, it concluded.

In this, they were in complete agreement with Count Lambsdorff. The banks—which have served the country well since the creation of the Second Reich in the 1870s and through the reconstruction following defeat in two world wars—should remain universal, he said.

The outside observer could be forgiven for concluding that both the Minister and the commission are guilty of fervently wishing to have their cake at the same time as consuming great slices of it. Neither appear to like the power of the banks, yet they dread the consequences of the removal of that power.

In essence both minister and commission have said that the banks should only be allowed to exercise their power when it is convenient for the Government or, that nebulous term, "the public good." One banker summed things up neatly by saying: "That is not what the free market is about. Bank shareholders are expected to underwrite the cost of putting bankrupt companies back on their feet, but are not expected to benefit in any great way from their efforts."

One gets the feeling that both minister and commission are opting for a cosmetic solution to the problem rather than radically changing the system. Perhaps the key to this is Count Lambsdorff's citation of the Deutsche Bank's divestment of much of its Daimler-Benz holding as the ideal way of reducing holdings.

This was a fascinating exercise in now-you-see-it-now-you-don't. The bank rid itself of the bulk of the 25.3 per cent slice in the motor group it acquired from the Flick group by creating a new holding company. The new company, Mercedes-Benz Holding, was created solely for the purpose of holding the shares and launched on the stock exchange.

Curiously enough it has two major shareholders who together hold more than 50 per cent of the equity, while the remaining shares are widely dispersed. The two shareholders are Stella Automobil-Beteiligungsgesellschaft and Stern Automobil-Beteiligungsgesellschaft.

Merely by coincidence, Deutsche Bank owns 50 per cent of Stella, with 25 per cent each in the hands of Commerzbank and the Union Bank of Switzerland. Deutsche Bank, surprise, surprise, also has 25 per cent of Stern. Its partners in this concern—each with 25 per cent—are Dresdner Bank, Bayerische Landesbank and Robert Bosch, the Stuttgart-based automotive, industrial and household electrical equipment manufacturer.

This, surely, is divestment in name only. The Deutsche Bank's effective control of Daimler-Benz—it owns directly more than 25 per cent through an earlier acquisition—is scarcely diluted. If this is what is meant by a reduction in the bank's industrial holdings, the bankers have very little to fear.

But before one accuses the minister of double-talk, it should be remembered that there is another side of the divestment question — who will purchase the shares? The banks' holdings are so large that even a 10-year transition period would seem over-ambitious for creating sufficient public interest in the stock exchange to absorb the vast quantity of shares to be unloaded. Some bankers argue that the exercise would depress German equity prices for up to 20 years.

The equity market is viewed with considerable distrust by the German saver — even the rich ones. While the banks have not exactly gone out of their way to excite public interest in industrial equities, the reason for this is in large part that aggressive attempts to promote wider share ownership would be viewed with suspicion.

The public uses the banks but does not necessarily like them. Even so, the banks' record shows them as remarkably sympathetic shareholders, and private investors could well take different attitudes.

Banks have been very restrained in their dividend demands and almost always put a company's long-term interests above the need for short-term profits. They can well afford to do so, of course, because what they lose on the dividend swings they gain on the roundabouts of corporate lending.

The German banks are certainly no angels, but their record of stewardship and their observance of the public interest has been good. The Rolls-Royce bankruptcy would never have taken place had it been a German company. The question of bank shareholdings would, as the Americans say, appear to benefit from benign neglect.

Strong D-Mark leads the way

THE BANKS ABROAD

GUY HAWTIN

THE LARGE West German banks moved late into the international market and their balance sheets still reflect this. Only about half a dozen owe a third or more of their earnings or balance sheet assets to their international operations.

But their growth has been fast, spurred over the past 10 or so years by the rapidly-growing importance of the Deutschemark in international financial affairs. Events of the past few years indicate that their role overseas is destined to increase much further.

Their relatively late appearance on the international banking scene stemmed partly from economic circumstance and in part from traditional conservatism. During the 1950s and early 1960s, it was the banks had, as a priority, to concentrate on the reconstruction of the war-shattered industry and, in doing so, laid the foundations of the "economic miracle." However, their international role was pretty well confined to financing German exports through the traditional form of suppliers' credits. The growing Euro-market was viewed with considerable suspicion and not a little disapproval.

Since then things have changed vastly. The German banks are now the single most important force in the international bond market. Last year they completely dominated the market.

In some respects it is fair to claim that they owe this as much to circumstance as their own initiative. The D-mark is, by far, the second most important international currency, and German banks are required to manage D-mark denominated international issues. The importance of the currency gives them a strong edge over their closest competitors in the international bond business—the Swiss banks. Last year this was of particular importance when more long-term, fixed interest money was raised internationally in D-marks than in dollars.

Another point in their favour has been the Federal Republic's universal banking system, which unlike the Anglo-Saxon concept, does not separate deposit and investment functions by law. The ability of the German banks to offer the whole gamut of banking functions under one roof gives them an awe-inspiring scope.

They have not been slow to take advantage of this important edge over competitors such as the large U.S. commercial banks, which, even abroad, are hampered by legal restrictions in some traditional investment banking activities.

The large West German banks' foothold in international commercial banking is considerably weaker, but this is only to be expected. The bulk of their business is geared to financing West German foreign trade—not bad business considering that the Federal Republic is the world's largest exporter.

Until recently this consisted almost entirely of financing exports on a supplier's credit basis. However, during the past couple of years there has been a profound change in this, and buyers' credits are now the rule rather than the exception.

Strain

The strain imposed on German companies which have had to cover the cost of capital cover for the borrowing and lending involved in suppliers' credits has been the main force for change. The German banks' high liquidity, which has forced them to look for new areas of business, has also played a major role. So too, have technical changes in the German export credit guarantee system.

While many German bankers are cautious about moving into what they consider purely financial business, recent moves by banks only somewhat smaller than the country's top five international banks dictate this as an area for expansion. The big banks will be unable to resist increasing their involvement in financing "non-German" projects overseas.

The West German banks' rapidly growing international business has not been welcomed utterly with open arms by the German banking authorities. They are particularly concerned about the banks' mushrooming Luxembourg operations, where the bulk of international lending has been concentrated.

Last year the German banking authorities and the banks reached agreement on reporting arrangements for all foreign operations — although the Luxembourg subsidiaries are clearly the main target. It provides for the banks furnishing general data on the direction and size of their lending to the authorities, but does not allow for details of loans to individual borrowers.

The authorities are by no means satisfied with the arrangements and there have been calls for greater "transparency and control" in the

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A reluctance to invest

THE STOCK MARKET

GUY HAWTIN

THERE IS something truly endearing about the German-in-the-street's reluctance to invest directly in Europe's most powerful economy. As a consequence, however, the country's equities market is a relatively puny affair compared with the muscle of its industrial companies.

An acquaintance, a sophisticated merchant banker, is a walking illustration of the average German's attitude to equities. At lunch be always chooses the most conservative dishes and, when taxed with bis lack of adventure, explains: "The farmer eats what the farmer knows."

This attitude also sums up the farmer's approach to investment — though, fortunately, not the banker's. This is a country where the savings rate is high. It is still running at over 12 per cent of personal income. Yet the savings media chosen remain relatively unimaginative.

The most favoured form remains the savings account, either in the local savings or co-operative bank or the mortgage banks that are the equivalent of British building societies. These accounts are often very substantial despite the fact that they carry relatively low interest rates.

An extreme example of the attachment of the average German to the savings bank is that of a local farmer who some time ago sought advice on what to do with his money. When asked how much, be grudgingly confessed it was DM 300,000 lodged with the local savings bank.

Asked if the bank bad never suggested that he do something more imaginative with the money, he confessed that it had, but that he had rejected the offer of investment advice. "When it is in the bank, I can make them show it to me when ever I want," he said.

This attitude is gradually changing. There has been a growing interest in mutual funds, although the funds they control are still very small for such a powerful industrial economy.

Even so the German private investor is still reluctant to back equities. By far the bulk of the money the mutual funds attract flows into the fund specialising in the bond market. Admittedly the bond funds bave performed very well in recent years, but the average mutual fund investor here is looking for long-term returns which the equities market should be able to satisfy.

Much of the suspicion of the equities market was generated in the collapse of the market that followed defeat in two world wars. The middle classes lost their shirts and they are perhaps, unwilling to risk losing them again.

But vast fortunes were made by the people who clung on to their shares and actually extended their portfolios if they could during the crashes when equity was scarcely worth the paper it was written on.

Among the main beneficiaries of this process were the country's banks—who are still by far the largest stock market operators. The West German banks directly own a very large slice of the country's industry and the basis of these huge holdings was built during times of economic disaster.

Reluctance

When the banks acquired their shares during these periods it was only with great reluctance. They were left with large quantities of worthless paper on their hands, much of which had been deposited with them as collateral for loans which would never be repaid.

The banks bad little alternative but to work at putting the companies back on their feet in order to preserve the banks' unsought investments. This they did—to the benefit of German industry and, ultimately, themselves.

In order to create a wider and more robust stock market a substantial transfer of shares from the banks to the public would be required. Furthermore, the industrial companies themselves would need to issue a good deal more equity and this would require a sea change in their attitude to corporate financing.

As far as transferring shares from banks to public goes, the Gesler Commission on banking practices and Count Otto Lambsdorff, the Federal Minister of Economics, have declared themselves firmly in favour of this. However, the method of divestment and the time scale for it remains unclear.

It is also clear that before any divestment can take place a demand for those shares must be created. There is precious little point in banks divesting themselves of shares by selling them to management companies ultimately controlled by the banks themselves. Yet this is precisely what happened in the case of Deutsche Bank's disposal of a substantial slice of its controlling interest in Daimler-Benz, the large car and commercial vehicle group.

Attempts have been made to interest the public in owning industrial equity. There is a movement for wider share ownership and many of the country's leading industrial companies regularly offer shares—at very attractive discounts—to employees. Even so the share-holding message appears to be spreading very slowly indeed.

The German attitude to financing its industrial corporations is an even more knotty problem. Most German companies have a rather narrower equity base that their Anglo-Saxon counterparts—though by no means as narrow as is often assumed.

There are a number of reasons for this. First, there is the question of capital asset tax which the German Government levies. This makes equity capital relatively expensive in relation to bank financing even though debt of over two years is assessed as capital for the purposes of the tax.

Change

Then again, many leading corporate executives are by no means convinced that a change to the Anglo-Saxon method of financing private industry would be for the better. They feel that there is a good deal more stability in the German approach, which relies heavily on the banks rather than ...vily on the equity market.

Said one executive recently: "I do not envy my British and American counterparts. Their share price plays such a large part in determining their operating overdrafts that they have little time for anything other than short-term thinking.

"They are constantly worrying about their interim statements and annual reports in order to maintain a stable share price. How can one plan long-term like that?"

There is much truth in the statement that the exceptionally close relationship between the German universal banks and German industry was a decisive factor in Germany's "economic miracle." Industrial companies were free to plan and invest for the long term, relatively unfettered by the need to produce short-term earnings.

Some British and American analysts argue that the lack of ...scipline that a strong stock market offers leads to flaccid management and poor corporate performance. Cer... there have been examples of sloppy management in Germany, but, as the German economy amply demonstrates, ...ial performance has been far better than the average in ... industrial West.

One factor that could play a decisive role in increasing the average German's interest in share ownership is the growth of foreign investors' interest in German equities. This phenomenon engendered a "scare" of baroque proportions after the 1973-74 oil crisis, when it became the creed in large parts of the financial community that newly rich Arab investors were planning to buy up German industry en bloc.

The initial reaction was the attempt by a number of leading companies to limit shareholders' voting rights. Some companies succeeded in introducing rulea which prevented holders from exercising votes in excess of 3 per cent of total equity irrespective of the size of their holdings.

However, there was a massive —and reassuring—outcry on the part of investors against this practice. It was seen as an anti-democratic measure, in part aimed at increasing the power of the executive Board vis-a-vis shareholders.

Certainly the danger of German industry becoming dominated by foreign investors still seems remote. But if foreign interest in German equities continues to grow, an acceptable alternative to the limitation of voting rights could be to encourage an increase in the ordinary citizen's interest in equities.

There would be little fear that a proliferation of small shareholders would lead to a reduction in the number of shares voted at annual meetings. Most shares are lodged with banks and the banks take full advantage of the proxies they are virtually automatically granted.

D-Mark

CONTINUED FROM PREVIOUS PAGE

Euromarket. It remains to be seen whether the authorities will demand much more far-reaching details of foreign operations from the banks.

On the other side of the international coin, bas been the steady growth of foreign banks' presence within the Federal Republic, itself. Currently, there are 56 branches of foreign banks reporting to the Bundesbank, West Germany's Central Bank, and there are four times that number of representative officea operating in West Germany.

It cannot be said that the foreign bankers are overwhelmingly satisfied with their lot. For many, high bopes of substantial business in this, Western Europe's most powerful economy, bave not been turned into reality. A common complaint is that the large West German banks do not allow free competition in their bome market.

The Bundesbank's figurea clearly illustrate the foreign bankers' problems. During the past six years they sbow a 130 per cent rise in the foreign banks' inter-bank credit bnsiness. In contrast tbe foreign banks' non-bank credit business has expanded by a puny 24 per cent. Figures for the West German banking industry as a wbole, however, show an inter-bank credit business growth of 103 per cent, while credit to non-banking customers during the same period has expanded by just under 75 per cent. In other words, the foreign banks' share of the corporate finance market—a far more interesting area than inter-bank credit—has declined substantially. Furthermore, during the six years the number of foreign banks operating bere has risen appreciably, greatly increasing competition for an already modest slice of the cake.

The system has enabled the German banks to build np massive industrial boldings. At the same time, the reliance of German corporations on bank financing ratber than the equity market for its operating capital, places the domestic banks in a powerful position to claim the lion's sbare of the business.

Foreign bankers argue that this close involvement strongly inhibits competition. Few corporate finance directors, they say, wonld risk damaging their company's special relationship with their "bonse bank"—often a major sharebolder—by taking advantage of a credit package offered by a foreign bank, no matter how imaginative or attractive it might be.

Thia is not necessarily the view of corporate finance directors. They tend to place a higher priority on continuity and stability than on short-term financial advantage. The idea of continually "shopping around" for credit does not make them feel particularly comfortable.

From the German corporate finance chief's point of view, support through good times and bad is more likely to come through a "special relationship" with a domestic bank. Not only bave bank and company built up a relationship of mutual trust over tbe years, bnt the bank probably has intimate knowledge of the company's business through the nomination of one of its men to the company'a supervisory board.

Top banker elect

PROFILE: KARL OTTO POEHL

DAVID MARSH

KARL OTTO POEHL would serve as an ideal model for every economic journalist aspiring to be appointed governor of a central bank before reaching his 50th birthday. The 49-year-old vice-governor of the Bundesbank, with a varied career in journalism, banking and government behind him, was designated by the Bonn Cabinet last month to take over as head of the West German central bank when Dr. Otmar Emminger retires at the end of the year.

With his unusually diverse experience, and his somewhat un-German peochant for smoothing over the ups and downs of international monetary affairs, he will bring a touch of relaxed pragmatism into the stratified world of central bank governors.

He is also bound to attract his *fair* share of controversy. Because of his membership of the Social Democratic Party, the senior partner in Germany's ruling coalition, and his previous close links in government with the German Chancellor, he has already been labelled—somewhat unfairly—as "Helmut Schmidt's man" by the Bonn opposition parties, which claim that his appointment could undermine the cherished independence of the Bundesbank.

In fact Herr Poehl's experience of the wheeling and dealing of both domestic and international politics is likely to stiffen rather than weaken his ability to fend off interference from Bonn.

In his 2½ years' service as vice-governor he has sometimes been refreshingly imprudent in remarks before the Press over international monetary affairs. But he has never given rise to any doubts that he will depart from the "stability-first" line laid down by Dr. Emminger and his predecessors when he takes office next year.

Stifling fears earlier this year that Herr Schmidt's enthusiasm for Europe's "zone of currency stability" the European Monetary System, could beguile the Bundesbank away from its constitutional priority of defending the value of the Deutsche Mark, Herr Poehl declared: "Domestic economic policy aims especially price stability and high employment levels, should not be sacrificed on the altar of exchange rate stability."

In other words he would rather let the D-Mark continue to appreciate than see inflation rise—sentiments which could as well have been voiced by Dr. Emminger himself, and which have recently been expressed for all the world to see in Germany's willingness to revalue the D-Mark within the EMS.

The working relationship with Herr Schmidt, however, is bound to be close. Herr Poehl, as State Secretary at the Finance Ministry from 1972-77 served for several years as Herr Schmidt's right hand man before the former Finance Minister became Chancellor in 1974.

Equally at home at meetings of the Organisation for Economic Co-operation and Development in Paris, the EEC Monetary Committee in Brussels or the International Monetary Fund in Washington, Herr Poehl prepared the German Government's position for the first three international economic summits at Rambouillet, Puerto Rico and London. He also played a major part in the decision of the Bonn government and other major countries early in 1973 to give up defending a fixed rate for their currencies against the dollar, launching the world into the floating exchange rate era.

The same pragmatic attitude has marked his career at the Bundesbank. He has sometimes gone against conventional wisdom and even central banking etiquette either by remarking that the Bundesbank could not go on massively supporting the dollar without threatening its money supply targets or urging the U.S. to borrow foreign currencies abroad (some months before Washington was ready to do so).

But his remarks have normally been characterised by a consistent intellectual stand—his belief (shared by Dr. Emminger and most of his colleagues at the Bundesbank) in the "virtuous circle" of a firm D-Mark and low inflation rate.

He is now about to start an eight-year term and, if all goes well, has a good chance of remaining at the Bundesbank into the 1990s. So Herr Poehl has a splendid opportunity of showing whether those principles which have worked so well for Germany over the last decade will continue to do so over the next one.

Herr Karl Otto Poehl

Outspoken moderate

PROFILE: DIETER SPETHMANN

ROGER BOYES

THERE ARE times when Dr. Dieter Spethmann, chairman of the board of the mammoth Thyssen steel group, seems to combine the qualities of a steel baron and a philosopher prince. Dr. Spethmann would, however, certainly deny this aristocratic hybrid—partly, one supposes, because philosopher princes have had rather a bad Press since Machiavelli's day, and partly because steel now plays a somewhat restrained role in the fortunes of Thyssen.

The fact is, though, that Dr. Spethmann has a candour and breadth of vision unusual in top industrialists. German businessmen especially shy away from making definitive statements about the state of the world—their public utterances are confined (at any rate, in the case of steel and shipbuilding executives) to the gloomy condition of the market and to the evils of subsidised competition.

Dr. Spethmann has made his career with Thyssen, starting as a personal assistant to the chairman of the board of Thyssen in 1955, two years after gaining his law doctorate. Within three years he had become a financial director of Thyssen (at the age of 32), joined the executive board of the subsidiary Thyssen Handelsunion in 1962 and the parent company's board in 1970. At the age of 47, he became chairman of the DM 24bn concern.

His relative youth, his talent and his toughness have given a stability and continuity to the group's leadership (by contrast the Krupp group has had four chairmen over the past five years). His legal training and financial experience has also enabled him to preside over the rapid diversification of the group, as it has tried to spread the risks associated with steel industry.

Now Thyssen, which has made its name as Europe's largest steel producer, has interests in coal, electrical engineering, shipping, aerospace, industrial plant design, scrap trading, railway construction and much else besides. How does one keep control of such a vast diversified empire?

The Spethmann formula seems to be to respond quickly to change—to recognise, for example, the need to expand the role of worker participation in decision-making—above all to maintain a correct balance between the needs of the customers, shareholders and the workforce.

The same responsiveness to change shines through in his personal philosophy. In the past year, he has made speeches urging that children learn more foreign languages (instilling an early export orientation), calling on universities and colleges to introduce more career-oriented courses, advancing the case for small companies. Of course there have been speeches on the steel crisis too, but even there have questioned fundamental assumptions (are special steels really the best route out of the crisis?). Senatorial in manner (though more Frank Church than Brutus), he sometimes gives the impression of caring more about the quality of life in the 1980s and 1990s than in the grimy details of running Thyssen.

This would be misleading. While Thyssen has been hit by the steel crisis, it managed none the less to record a balance-sheet profit of DM 103.9m. This was described by Thyssen as "insufficient" and led to a dividend cut—but it was still remarkable at a time when most steel concerns were lucky to break even.

Dr. Spethmann's personal stamp on the business is apparent in the growing internationalisation of the concern, especially in the form of the U.S. subsidiary, the Budd Company of Michigan, an important supplier to the U.S. motor industry. Dr. Spethmann has shown great interest in the subsidiary which is a useful barometer of U.S. business potential for Thyssen.

There are strong common elements both in his personal and his business philosophies—above all in the need for a more outward-looking approach to life, and for a more flexible, less dogmatic approach to business. In short, he is that rare phenomenon: an outspoken man of moderate views.

Dr. Dieter Spethmann

Union entrepreneur

PROFILE: HEINZ OSKAR VETTER

JONATHAN CARR

APPEARANCES CAN be deceptive. Herr Heinz Oskar Vetter, usually immaculately dressed and with the latest economic and financial data at his fingertips, could easily pass as a successful entrepreneur. The headquarters in Deusseldorf of the organisation he leads would disgrace no major West German company long used to a healthy profit.

In fect Herr Vetter is the country's leading trade unionist. For 10 years he has been president of the Deutsche Gewerkschaftsbund (DGB—roughly the German equivalent of Britain's TUC or the American AFL-CIO) and is certain to remain so into the 1980s. Some from abroad might take one look at Herr Vetter and the DGB, shake their heads ruefully and say that the workers had joined the capitalists. Or could the reverse be true? The important point is that the question no longer arises in that form in the Federel Republic. And it is thanks in no small measure to trade unionists like Herr Vetter thet this is so.

He is often called a moderate—which is true but may convey the impression that he is easy prey to pressure from managers or from the Social Democrat (SPD)-led Federal Government. On the contrary, he chooses the issues on which to fight but is then formidable. When the employers appealed to the federal constitutional court against the country's new "Mitbestimmung" law (co-determination between management and labour in industry) Herr Vetter promptly pulled the unions out of the regular "concerted action" meetings with Government and employers. He clearly saw the issue as a central one—and only after the court ruled against the appeal did the meetings start again, albeit in another form.

Naturally his strength comes not just from personal conviction but from the huge influence of his organisation. The DGB embraces 16 member unions with a membership of more than 7m, all of them formally autonomous but none in practice ever likely to defy the DGB for long. It is a body courted by the political Left and Right—and never more so than now with a general election looming. Herr Vetter is a member of the SPD—and often a particularly critical one. But he insists thet the DGB itself must not become identified with any single party and will work with any democratically elected Government. As if to prove the point he visited Munich this month for talks with the opposition candidate for the chancellorship, Herr Franz Josef Strauss. Against most edrance bets, the meeting was peculiarly cordial.

That does not mean thet the future will be trouble free. Even though the West German economy is expanding fast this year there are still more than 700,000 unemployed. And Herr Vetter is deeply concerned with the impact of the technological revolution, not simply on the number of jobs but in its wider social consequences. If the problems are to be overcome, he feels that an even bigger trade union role will be needed.

He has already had first-hand experience of the impact of industrial change in his own Ruhr region—once the undisputed centre of German industrial power. Born in Bochum on October 21, 1917, he first qualified as a mechanic but after the second world war he joined the miners' union IG Bergbau. It was thanks not least to the far-sighted attitude of this union that the extensive mergers in the mining industry were able to go ahead with relatively little strife and social hardship. The same applied to the iron and steel industry where, as Herr Vetter remarked, not a single investment decision went forward without approval from the workers.

Little wonder that he became a passionate advocate of Mitbestimmung, heading the department responsible at IG Bergbau and becoming the union's deputy chairman in 1964. When Herr Kurt Gscheidle (now federal Minister for Post and Transport in Bonn) surprisingly withdrew his candidacy for the presidency of the DGB in 1969, Herr Vetter was asked to stand. He was elected in May and has held the job since. It is much too soon to say who might succeed him—whoever it is will find it hard to fill Herr Vetter's shoes adequately.

Herr Heinz Oskar Vetter

Controversial novelist

PROFILE: HEINRICH BOELL

JONATHAN CARR

HERR HEINRICH BOELL'S latest novel has caused a criticel storm. Some say the man is forgetting how to write, others that his ironic wit was never sharper. The discord will have come as no surprise to this controversial author who could lay claim (but certainly would not do so) to have produced the most impressive body of fiction in German since World War II. No doubt he would feel he had failed if a new work of his received undivided critical acclaim.

Now aged 61, Herr Boell remains an uncomfortable figure—and, significantly, it was to him that another uncomfortable writer, Alexander Solzhenitsyn, first came after his ejection from Russia. He has so often thrust unpleasant truths under the noses of his countrymen that he has on occasion been called "The conscience of Germany." The title is over ambitious—but he can certainly touch the conscience of others, and not only Germans.

Like his fellow writer Gunter Grass, Herr Boell has been deeply involved in the effort to confront the fascist era and the war years, whose scars remained long after 1945. There are his pictures of the physical impact of war—the area around his native Cologne and west of the Rhine with "not a field, not a path that was not mined, not a stream that was harmless," still punished in peacetime when children stepped on unrecovered explosives. There are his sharp analyses of the attitudes leading to radicalism and violence. And, not least, there was his conscious effort with other like-minded writers to bring renewal to a language corrupted by the Nazis.

Herr Heinrich Boell

A whole series of his works testify to these concerns—not just the early books like *Der Zug war pünktlich* (1949: *The train was on time*) or *Wo warst du Adam* (1951: *Adam where art thou*), but later productions too, including perhaps his finest of all "*Gruppenbild mit Dame*" (1971: *Group portrait with lady*)—a panorama of German society in this century more revealing than any history book.

To his evident surprise, Herr Boell won the Nobel Prize for Literature in 1972 ("what only for me—not for me and Grass together?" he said on hearing the news). He later called the fuss surrounding the prize as "This Nobel nonsense." But he also saw that he had gained a new lever to help pressure governments—above all to free writers and intellectuals held in jail.

Some of those who applauded his stand against communist intellectual (and physical) oppression were disconcerted when he directed his concerns closer to home. The official citation for his Nobel Prize says that "his works witness a re-birth out of annihilation, a resurrection... a culture which sends up new shoots." That is partly true. But Herr Boell has been far from uncritical about the society of Federal Germany, its aims and its attitudes. He strongly condemns what he calls the "cursed Leistungsprinzip" — the "achievement principle," insisting that a society based on profit and success alone is inhuman. He blamed German writers for not protesting more, but still more he blamed the churches who he felt were "stockholders in the system, through the Church Tax."

Not many, therefore, have felt themselves immune from Herr Boell's barbs—and take refuge in the defence that the writer has become more polemical with the years. The right-wing Press felt itself under direct attack in his "*Verlorene Ehre der Katharina Blum*" (1974: *The lost honour of Katharina Blum*), which tells of a woman driven to murder by a Press campaign against her lover, who turns out to be a hunted anarchist. Many citizens deplored his words of apparent support for the accused terrorist Ulrike Meinhof. Yet he had wider aims than were immediately realised: in the first case to denounce witch-hunts, wherever they arise, and in the second to underline that no one whatever is guilty until they have been proven so in fair trial. His constant warning is against simply going with the crowd, against taking things at face value—like one of his characters, a book-reviewer who becomes so neurotic about undoing the volumes sent for judgment that he simply reviews the parcels instead. Long may he continue to outrage—in Germany and beyond.

Problems for exporters

ELECTRICAL INDUSTRY

ELAINE WILLIAMS

THE West German electrical and electronics industry ranks third in the western world behind the U.S. and Japan; its share in world production is about 10 per cent.

The country is the largest exporter of electrotechnical products—equalling the U.S.—and sells about 40 per cent of its home production abroad. This gives the industry a total turnover of around DM 85bn with a total labour force nearing 1m.

But the industry is diverse, ranging from electronics and related high technology spin offs such as data systems, telecommunications, microelectronics and domestic appliances to electrical power generation systems. This diversity is also reflected in the performance of the industry as a whole, with newer more advanced technology based systems making better progress than the traditional electrical industries.

Business in the power generation side of the industry has been stagnant in West Germany. The reason for the low volume of orders within the country is due to a continuing debate over the necessity for power plant expansion, particularly of the nuclear variety, and anti-nuclear campaigns have almost put a halt to this type of plant construction.

West German manufacturers have been finding the export of *their expertise increasingly* difficult. AEG Telefunken, the second largest company in this field behind Siemens, is experiencing the effects of a decline in power engineering and industrial systems. Its problems stem in part from the failure to win export orders, while the home market has increased only slightly.

Kraftwerke Union, owned by Siemens, similarly relied on exports for its success—nearly 50 per cent of its business is overseas—and again the internal anti-nuclear lobby is forcing the company to look outside the country.

The problem for exporters is also the sharp rise in the value of the Deutsche Mark. This makes companies take special efforts to maintain their position in world markets. Siemens admitted in its last annual report that it sometimes accepted orders at unsatisfactory prices in order to preserve capacity utilisation at its plants. As the largest manufacturer, Siemens' problems are reflected throughout the industry.

Brighter

However, in the electronics side of the industry prospects are far brighter, with telecommunications being one of the most important growth areas, especially for exports. Recently Siemens with the French company, *Thomson CSF*, won a large telecommunications modernisation programme from Egypt worth $1.8bn. This is the second massive telephone contract in recent times; the first was from Saudi Arabia won by the Dutch Philips and the Swedish company L M Ericsson.

The upturn in telecommunications worldwide has come after a lull of several years. In fact, in most of the industrial world telephone demand rose last year at a higher rate than gross national product. In Germany the Federal Post Office increased its orders for equipment substantially, and Siemens has been able to benefit from this. Worldwide the company took 15 per cent more orders last year, bringing the value of orders up to DM 6bn. But winning export orders has become increasingly tough. Spearheading Siemens' developments has been its electronic exchange, the EWS, which has already been installed in the German telephone network.

Behind the development of the digital electronic exchange is the extensive use of microelectronics, and Siemens has invested heavily in silicon chips. The German Federal Ministry for Research and Technology has supported important projects centred around microelectronics which are likely to be of interest to the country's economic development. According to the company, nearly 13 per cent of the total research and development expenditure in German industry is accounted for by Siemens.

Some areas of research include office to office teleprinter communications incorporating the preparation, storage and transmission of text in a single machine—a word processor. Another important area is in automation of machinery and processes.

Data and information systems as a means of increasing productivity in business, commerce, industry and even science are a growth market in West Germany. Again Siemens has invested substantially in entering this market and expects to have above average growth rates for its business in office computers. It will invest DM 250m in the expansion of its complex at *Munich-Perlach, the site* of its computer operations. Siemens' international share of this computer market is only 25 per cent of its total sales, but this is to be expanded, and the company reopened its sales operations in France as a start to push for more foreign orders.

Another move has been an agreement with the Japanese electronics company Fujitsu for the exchange of products. Each company will sell the other's products, which enables them to offer the complete range of computers and peripherals.

The German electrical and electronics industry can be split into about 10 product areas, comprising electricity generation and conversion, electricity distribution, communications, measurement and control, data processing, entertainment electronics, household appliances, lighting technology, motor vehicle equipment including automotive electronics and components.

The three biggest growth areas have been in data processing, which in 1978 grew over 10 per cent on the previous year. Similarly measurement and control increased by 11 per cent, communications by 8.4 per cent close behind these were components industry with a rise of 7.1 per cent. However, the leading three depend for their *success* on the development of cheaper silicon chips and other electronics components made in Germany.

Domestic appliances and entertainment electronics which account for just over 23 per cent of the production by value of the West German industry were the only sectors to show any decline in growth. In 1978 its share of total production fell overall by 4.7 per cent compared with 1977. As with many European companies competition from Japan for television and associated products is having its effect on the home market.

With the notable exception of AEG-Telefunken, the West German industry seems well placed to continue to compete forcibly both at home and abroad. Its commitment to microelectronics will ensure that it will continue to develop products which are competitive against the might of the U.S. and Japan.

A recovery under way

MECHANICAL ENGINEERING

ANDREW FISHER

AFTER SEVERAL years in the doldrums, West Germany's largest exporting industry, mechanical engineering is now undergoing a marked recovery. Orders have been flowing in from the home and foreign markets at an encouraging rate and even the prospect of a general economic slowdown next year has apparently done little to dim the sector's optimism.

Throughout the mid-1970s, Germany's mechanical engineering companies have drifted listlessly as demand stagnated, competition intensified, and the rising value of the Deutsche mark made life harder for exporters. Because of the industry's highly fragmented nature—80 per cent of companies employ fewer than 200 workers—it is especially vulnerable to *shifts in growth and* demand patterns.

The number of jobs in the industry has been on the wane for some years. At the end of 1978, the figure was 1.07m compared with 1.09m three years previously. By the middle of 1979, the total had eased further to just below 1.06m. But the German companies' reluctance to shed skilled employees in times of difficulty, the decline might well have been more *acute*.

Healthy

The latest order trends charted by the Association of German Machinery Manufacturers (VDMA) show that the position is now healthy enough to keep the industry busy for some 6½ months. This is well above the average level of six months regarded as an acceptable norm and compares with 5.9 months in the middle of 1978. Capacity utilisation is also exceptionally high at 86 per cent — the figure is for June this year — against 80.4 per cent a year ago.

In the first eight months of this year, the order inflow was up by as much as 17 per cent in nominal terms and 13 per cent *in real* terms. *This* contrasts strongly with the flat trend seen in the corresponding period of 1978.

Home demand was still more buoyant than that from abroad between January and August, but foreign orders have been picking up sharply. They advanced by 11 per cent in real terms during the period, while domestic orders were 15 per cent ahead. A year ago, new foreign orders were actually *slipping*. Since the West German mechanical engineering industry is the world's biggest exporter in the field, again beating the U.S. last year with a foreign sales total of *DM* 55.2bn ($30.7bn), the turnround is viewed as highly promising.

With political turmoil in Iran and the fall-off in major orders from the OPEC countries, it is the adjacent markets of Western Europe that have provided the major impulse for the German industry's progress abroad this year. And while the early months of 1979 saw widely differing rates of progress among the 38 broad categories represented in the VDMA's membership, all branches are now benefiting from the overall vigour of new orders.

The industry's turnover figures have yet fully to reflect the upsurge of new orders. There was a real increase of just 3 per cent in the January-August period, with domestic sales up by 4 per cent and foreign sales by 2 per cent. In nominal terms, the overall rise was around 6 per cent. First-half turnover was slightly over 5½ per cent higher at DM 52.1bn. During the whole of last year, turnover in the sector was up from DM 101bn to DM 104.1bn.

The biggest company in the *industry*, *Gutehoffnungshuette* (GHH), which is also Europe's largest engineering group, has been benefiting considerably from the strength of foreign orders. On June 30, when its financial year ended, orders in hand were 9.5 per cent higher than 12 months previously at DM 15.3bn, with no less than 68 per cent being for export.

Other major companies with mechanical engineering interests also report an accelerated order inflow. Demag, which is now part of the Mannesmann concern, reported a 19 per cent order jump in the first eight months, with new foreign business soaring by 26 per cent.

At the Krupp group, long burdened by poor results in its *steel and shipbuilding divisions*, total new orders were more than a fifth higher in the first half, with a 24 per cent rise in the mechanical engineering area. *Total* orders in hand were 11 per cent up on the start of the year at DM 10bn, but were little different from the overall level of January-June 1978.

According to Demag, it remains to be seen how the German investment climate develops throughout the rest of the year *after* its improvement up to the summer. The same applies to western Europe as a whole, especially since the problems associated with doing business in the Comecon and OPEC areas — currency shortages on the one hand and saturation on the other—are likely to continue. Increased business with China could offset some of this however.

Within Germany, the more active investment scene that has succeeded several years of reluctance to expand looks likely to continue well into next year, albeit at a diminished rate. One of the most respected of Germany's economic research institutes, IFO, predicts that spending on new plant by German industry will still rise by a nominal 10 per cent in 1980 after 14 per cent this year.

IFO singled *out* the *mechanical* engineering sector as one part of the capital goods industry, where spending plans show a 20 per cent increase in 1979, which would benefit from the boost in both home and foreign demand. For the whole of German manufacturing

CONTINUED ON NEXT PAGE

Many questions, few solutions

SHIPPING AND SHIPBUILDING

ROGER BOYES

FOR WEST GERMAN shipbuilders the gruelling five-year wait for a recovery in the industry must have seemed at times like waiting for Godot. Each year has brought sharp cutbacks and an erosion of Germany's share in the world shipping market, and each year slivers of hope have been cancelled out by negative developments.

The crisis in shipbuilding has not, however, been such a fixed feature of the German economic landscape as it currently appears. In 1974, for example, the official report of a Hamburg shipbuilding conference spoke of "full order books, promising contacts and a comparatively stable level of prices."

The position today is almost the complete reverse — order books are poor, long-term contracts have been undermined by the price competitiveness of other countries and a weak dollar is playing havoc with asset valuation. But there is a firm conviction that there will be a significant pick-up in demand in 1982-83. How lasting will this recovery be? And how will the German yards be able to handle the increased business after years of running down their capacity?

The German formula is to specialise—in liquefied natural gas tankers, in roll-on/roll-off (ro-ro) ships, in container vessels — while at the same time evolving ways of adapting high-technology to new high-value vessels. This should, the yards hope, guarantee them an important part of the world market in the mid-1980s. At the same time, there has been a general easing of principles: West German shipbuilders, always among the most vociferous protesters about subsidised competitors, have been seeking (and been granted) substantial State aid.

The Germans see these subsidies as a temporary measure to tide them over until recovery. But it is not clear how realistic these limited aims are—the current state of the industry seems to call for a deeper State commitment rather than a simple three-year or two-year support programme.

Figures probably tell the story most succinctly. According to the Verband der deutsche Schiffbauindustrie (VDS), the shipbuilders' trade federation, the German yards' order book dropped by 68 per cent from the end of October 1977 to September 1978. This compares with a 33 per cent decline in orders in the world shipping industry. In order terms West Germany now ranks 17th in the world as a ship-building nation, with only a 3.5 per cent share of the new orders.

Meanwhile, the VDS estimates that German shipyards are unlikely to deliver more than 400,000 gross registered tonnes this year (worth about DM 2.5bn) compared with 1978 deliveries of 912,639 grt—a bleak picture despite the high hopes for the mid-1980s. While welcoming the latest State support, the builders are also worried that if subsidies become a permanent fixture they will have to maintain swollen workforces and possibly lose some of their managerial independence.

But the main complaint from the yards at the moment is that the original State subsidy plan approved at the beginning of this year has been whittled down by the European Commission.

The original plan was conceived of as a payment of 10 per cent of the value of each new order for a high technology ocean-going vessel during 1979 and 1980. In 1981, according to the plan, the subsidy would be only 7.5 per cent. While the programme was only due to run for three years, there was an assumption that the subsidy would continue for a while afterwards in an ever-decreasing form. The German builders see the high technology vessel—including among other things extensive safety installations—as one of their primary strengths. The idea of the aid was thus to make these vessels extremely price-competitive at least during the bridging period of 1979-81.

Negotiations

The subsidy programme was the result of complex negotiations between the Federal Government, the four German coastal states, the trade unions and the shipbuilders themselves. As a result the aid plan bears all the hall-marks of a compromise. Opposition politicians claimed that the subsidies would merely freeze inefficient capacity and slow down adjustment, while some unionists claimed that the subsidy would benefit only about half the orders reaching the books—and thus redundancies would continue much as before.

But what has particularly annoyed the German shipbuilders is the European Commission's involvement. In the first place the Commission, according to the VDS, delayed consideration of the subsidies for an unnecessarily lengthy period, leading to lost orders. Secondly, the Commission has cut down the proposed three-year programme to a two-year plan, in order to fit it into the framework of wider European subsidies.

The shipbuilders claimed, in a statement issued this summer, that the Commission, by truncating the programme, had made long-term planning and investment extremely difficult.

Why then, given the current depressed state of the yards and the shortcomings of the subsidies, are the shipbuilders still reckoning with a 1982-83 recovery? There are, they say, a few straws in the wind.

First, there is the increase in scrapping — in 1978 about 13m grt were sold for scrap. This has created considerable scope for modernisation. Germany has pressed home this advantage by calling for increased safety standards for tankers—the German yards are adept at producing the technology which would make high safety standards possible.

Meanwhile freight rates in the grain and ore trades have improved, doubling the value of many second ships — particularly bulk carriers—and generally making better use of the world fleet. There is a boom too on the tanker market, which began last year in anticipation of an OPEC oil rise and which has endured through this year. A recent report by the West Deutsche Landesbank, however, suggested that both freight rates and the tanker boom would soon reach a plateau and start dropping off next year.

The fuel crisis has naturally been a considerable burden on the German shipping trade but it has had its advantages for the yards. The fuel costs, for instance, have persuaded more shippers to take up "slow steaming" techniques. This has led to criticism that the shipping companies were deliberately travelling slowly with cargoes of crude in order to benefit from increased prices on the Rotterdam spot market. Shippers deny this—slow steaming, they say, simply makes better use of fuel and keeps more of the fleet at sea.

This better use of capacity has encouraged the German yards who believe that this will eventually lead to improved order books.

In addition to its aid package for the yards, the Government this year approved a number of subsidies to shippers. It has agreed to grant interest-free loans to shipping lines which are, if anything, even more gloomy about the immediate situation than the shipbuilders. The loans are worth 1.5 per cent of the book value of the owner's vessels. Federal guarantees of up to DM 500m are also to be made available to help shipping lines suffering from liquidity problems.

The main problem for the shippers continues to be the weak dollar. Herr Nikolaus Shuess, president of the Verband Deutscher Reeder, said last year that the effect of the dollar fall was equal to an export tax of 10 per cent on German shipping. With the dollar having touched DM 1.75 in September, the same clearly applies this year. While the bulk of the lines' income is in dollars, the [illegible] ing insurance and [illegible] —are in Deutsche Marks. As the asset values of ships (calculated in dollars) are eroded, so borrowing for modernisation and expansion becomes more difficult. This in turn has an effect on the yards—German shipowners have been increasingly turning to foreign yards for price-competitive vessels.

The balance-sheet results of the various German shipping lines reflect this malaise. Hapag Lloyd recently announced an unsatisfactory results—and a dividend cut—for 1978. Hamburg Sued, the private operator of seven liner services and extensive tramp operations, also reported disappointing results.

In the shippers case, pessimism is to some extent built into their philosophy. German shipping accounting is particularly conservative in terms of assessing depreciation of stock—this is of course a quite natural response to the high risks involved in the shipping world but it does tend to paint the situation in a gloomier hue.

None the less, the shipping lines continue to face tough competition from Eastern Europe and, to some extent the Third World. The Germans have been particularly incensed by what they claim is price-cutting on the North American routes by Soviet lines which has all but eroded Germany's formerly strong position. A similar complaint comes from the yards. Comecon builders, notably East Germany and Poland, can afford to set their prices at rock-bottom because of lower production costs and because their order books are buoyed up by regular orders from the Soviet Union.

Earlier this year, for example, two Polish ships sold to West Germany were contracted at a price lower than that offered for similar ships a year ago. The Germans believe that this is price-cutting with a vengeance (a charge strenuously denied by the Poles) and admit that they simply cannot compete.

One of the effects of the sharp competition in shipping routes has been to force ship-owners to diversify into general tourism, into air travel (in Hapag Lloyd's case) and into road transport. This has naturally meant further cutbacks in orders for tha German yards.

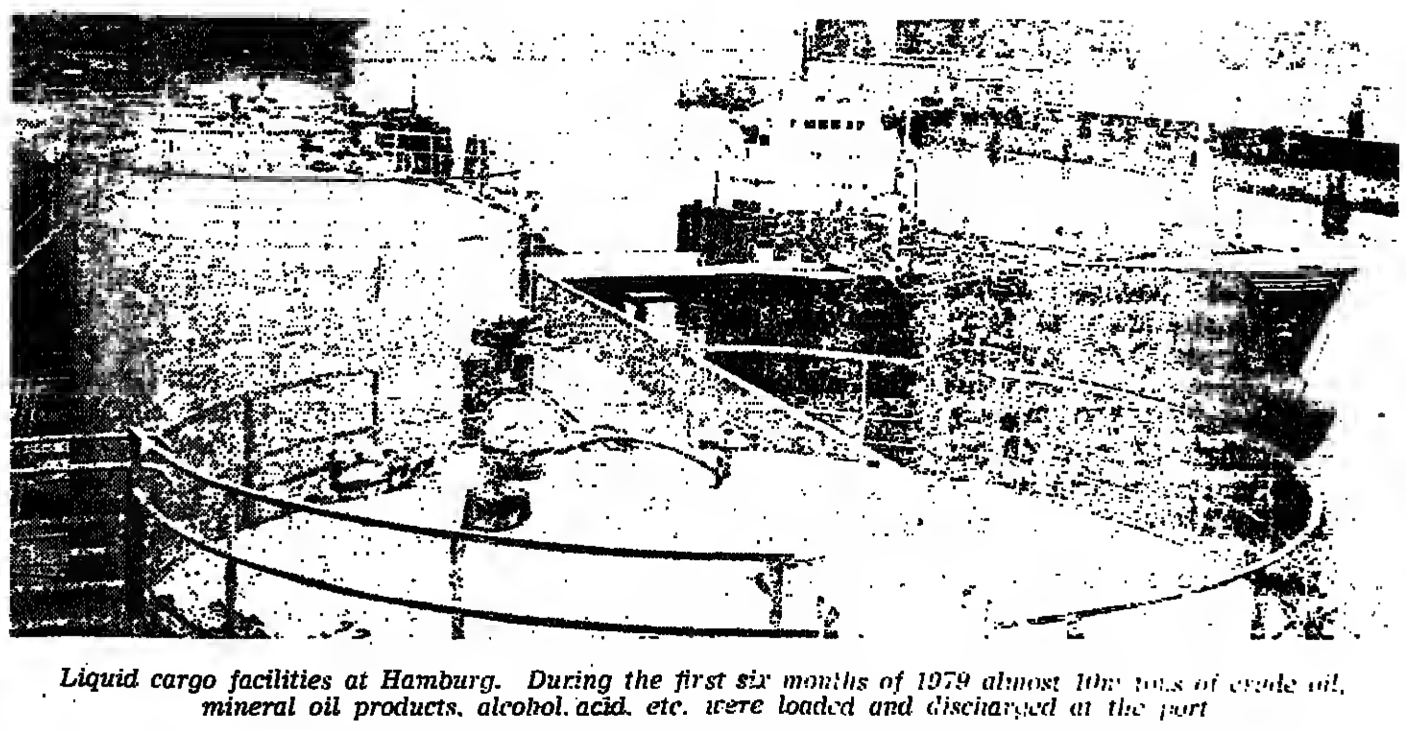
Dr. Wolfgang Weidner, director of the ship-financing concern Dentsche Schiffahrts-bank, is less Cassandra-like about the state of the industry. His contacts have shown, he said last month, that ship owners are making plans for the 1980s which will involve significant new production. "We, as bankers, have been able to see that many owners are planning new vessels—even over 100.000 tonnes dead weight —without necessarily having informed the yards yet." In other words the yarda might be needlessly worrying about their order books.

Anxiety and hardship in the yarda have, however, spawned an ability to adjust production skills to changing demand within a very short time span. In 1978 freighters accounted for 38.8 per cent of production (in grt), container vessels for 34.9 per cent, gas and chemical tankers for 8.89 per cent and ferriea, car transporters and ro-ro ships for 3.3 per cent. But new orders received this year have pushed up the importance of freighters (53.4 per cent of new orders) and ferries/ro-ro ships (18.3 per cent) while revealing a slackening in demand for container vessels (15.7 per cent). The importance — judging by new orders — of offshore structures has grown but it still remains a small proportion of German production, compared, for example, to the Swedish yards.

Quite apart from the latest subsidy packages, the German Government has also channelled considerable business towards the yards, which has helped to keep the industry ticking over and has given it a certain amount of flexibility in adapting to foreign demand for specialised vessels. The West Germany navy, the Bundesmarine, has regular orders for warships and development aid is sometimes discreetly tied to orders for merchant ships or patrol boats.

But these moves have been unable to prevent the steady reduction in the workforce on the yards. The number of employed is expected to sink to 50,000 next year compared with 58,000 last year and over [illegible] in 1960. Only about 49m [illegible] hours are expected to [illegible] on ship production and repair in 1980 compared with 80m in 1975. The problem with such a rapid cutback is how to retain skilled workers for the expected recovery in the mid-1980s.

A [illegible] solution has been— as in [illegible] — to sub-contract to the motor industry, where welding [illegible] in particular can be applied without great disruption. But if the automobile [illegible] to cool down in the [illegible] years, demand for such workers will slacken and the [illegible] could find themselves [illegible] part of their [illegible] problem, like so many [illegible] in the German [illegible] which has no [illegible].



Liquid cargo facilities at Hamburg. During the first six months of 1979 almost 10m tons of crude oil, mineral oil products, alcohol, acid, etc. were loaded and discharged at the port

Recovery

CONTINUED FROM PREVIOUS PAGE

industry, it forecast on the hasis of its regular June/July "Prognose 100" survey that turnover would show a five per cent improvement next year, half the expected growth rate for 1979.

This, however, would still be slightly faster than last year's expansion, and IFO reckoned that the slowdown would reflect developments at home and abroad more or less equally. Manufacturing output is seen likely to ease from thia year's 3.5 per cent growth to a 2.5 per cent rate.

With recession looming in the U.S. and higher oil prices dampening the growth climate in Europe, IFO states bluntly that the foreign economic outlook has clearly worsened. The past few weeks have seen economic predictions for Germany in 1980 ranging from the deeply pessimistic 1.5 per cent growth rate seen by the Kiel research institute to the more confident assertion of Bundesbank president Dr. Otmar Emminger that threa per cent could well be an under estimate.

For the capital goods industry, however, IFO's polling of business opinion led it to make a fairly hopeful assessment of prospects, with next year's slowdown expected to be less marked than in some other sectors. After an 11 per cent domestic sales rise this year, the 1980 nominal growth rate should be nina per cent, while the slackening on the foreign side is likely to leave turnover some six per cent ahead compared with a probable 10 per cent this year.

In the mechanical engineering industry, officials are talking about production growth of around three per cent next year compared with over five per cent so far in 1979. But the steady flow of new ordera will provide a comfortable cushion on which to ride out the bumpier conditions of 1980.

Output increased to meet demand

STEEL

ROGER BOYES

A MARTIAN economist on a routine reconnaissance visit to West Germany would be hard pushed to find evidence of a steel crisis. Cars and trucks—great steel consumers—throng the streets, while even the smallest town seems to boast several construction sites, all of them cluttered with webs of steel girders.

In Hamburg and Bremen, the Martian analyst could note that more tankers are being built in the yards than for several years. And a brief trip to his human colleagues in the IFO economic research institute in Munich would certainly confirm initial impressions of a healthy investment climate.

In short, demand for steel is looking up. New orders from both home and abroad are well above last year despite a hiccough in August, and if the average monthly order intake continues throughout the year, 1979 could well be the best of the past four crisis years. Prices too are up by about 10 per cent, spurred on by the protective measures taken by the European Commission.

Despite the strike last winter, production is also on the increase. Overall output increased by 6 per cent this year—significantly above the rest of Europe—and would have reached 9 per cent had it not been for the dispute. Steel producers initially reckoned with a 43m tonnes crude steel output this year but it now looks as if this might have to be rivised upwards to 46m.

This admittedly is a long way from the levels of 1973-74 when production was running at between 49m and 53m tonnes. Capacity use in those happier days was around 88 per cent, compared to about 75 per cent at present.

So what are the German steel producers *complaining* about? There is a lot of groaning to be heard from the plate-glass towers of Krupp, Thyssen and Kloeckner.

First, there is no denying that there is a deep structural crisis in the industry. The capacity utilisation figures, for example, though looking healthy enough on the surface, actually reflect years of drastic cutbacks. From the end of 1973 to the end of 1978, the number of employed in the industry fell by almost 50,000 to 300,000.

The German producers claim they have been more swingeing in their cutbacks than many of their European competitors. The Davignon Plan for Europe—which among other things limited low-priced steel imports from third countries and stabilised the European market through recommended production levels and minimum prices—gave the major producers a breathing space to adjust capacity to demand. The main problem with the plan, in the German view, was that their principal European competitors would defer cutbacks as soon as demand started to rise again and prices improved. The net result would be that the overcapacity in Europe would stay and the German steel industry would continue to be squeezed by its subsidised competitors. As an extremely efficient producer, Germany was anxious for free market conditions to be maintained for as long as possible.

A free market framework, the Germans now *realise*, is a singularly inappropriate way of dealing with the immediate *crisis*. The Davignon Plan has actually started to work in favour of the German producers rather than *against* them, and in any case the amount of indirect subsidies to the German steel industry has increased, making protestation about a free market rather superfluous.

Trouble

In some ways the Davignon Plan is no more than a side issue—far more significant, for instance, has been the 50 per cent rise this year in scrap prices. While this spell trouble for some German special steels producers, it has also had the effect of muffling competition from Italian producers whose mini-steel works had been particularly dependent on cheap scrap.

Quite apart from the problem of heavily subsidised competition in a market still creaking with over-capacity, German steel producers see another delicate issue on the horizon. On the one hand the producers need to convince their customers that the industry is in a strong position—and thus push up prices—while on the other they have to convince their employees that the industry is still in the midst of a crisis and in no position to give in to large wage claims.

IG Metall, the powerful metal workers union, is not likely to be convinced. Although it has not yet put in a formal claim for the coming wage round, the demand is likely to be for about a 9-10 per cent increase. Union leaders have already made clear that about 4 per cent of this will be a productivity payment. They have noticed the upturn in the steel market (overtime has increased radically for many workers in the industry this year) and want to share in the rewards.

The steel manufacturers, however, maintain that while there has indeed been an upturn, most companies will be lucky to break even. The last boom year—1974—brought in millions of marks profits but this year low prices have eroded earnings. The unions say this is the fault of the producers—that they miscalculated market trends at the end of 1978 and set prices low in order to maintain demand and a healthy use of capacity.

A 9-10 per cent wage claim would of course be knocked down to some extent through negotiations but the manufacturers are going to find it a hard job to do so. First, the unions believe they have been holding back on the wages front for several years, and secondly the grass roots membership has been pressing the leadership to stick out for a high settlement to compensate in part for the effects of the oil price rises.

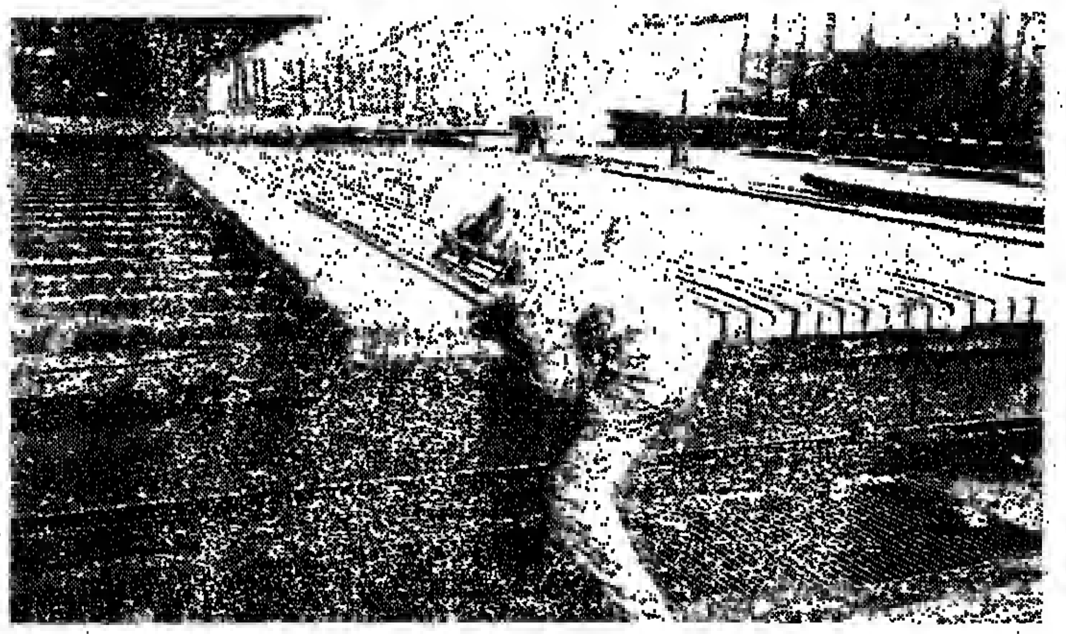
Last winter's bitter strike demonstrated the considerable strength of IG Metall. Because of the dispute many of the producers lost orders to foreign competitors, though these were often balanced by increased business from aboard following strikes in France and Italy.

Steel producers are still convinced that the real recovery (that is to say a return to 1974 levels of production and earnings) will not come until 1982. The dilemma is how to convince the unions of the need for wage restraint until that date and how to make the most efficient use of capacity in the interim.

The current guiding principles are to develop special steels, try out new labour and energy saving technologies and to diversify into steel-related industries such as mechanical engineering. Some steel chiefs—Dr. Diether Spethmann of Thyssen for example — resist the notion that special steels are the single and most significant way out of the crisis. With scrap prices high and future demand still far from secure, special steels remain something of a gamble.

Friedrich Krupp Huettenwerke (FKH), the Krupp group's steel subsidiary, has, however, invested in a DM 51.5m re-equipment programme for its plant in Geisweid, providing for the continuous casting of special steel billets. Using FKH's new process, two stages are cut out in the casting of billets, saving energy, time and labour. Molten steel is poured directly into the billet-casting lines rather than into ingot moulds while the billets themselves can be moved almost direcly to the rolling mills without having to be reheated.

This is a typical example of how new technologies are being applied by German producers to prepare for the 1982 upturn. It involves costly investment at a time when the group can scarcely afford it but it will be well worth while if it guarantees the German a firm niche in the steels market when the recovery comes. While the smaller steel producers do not have this kind of money available for long-term investment, they have found that well-thought out purchases of new processes can pay off rapidly.



The German steel industry has not suffered seriously from falling demand, while re-equipment has progressed steadily

Working at full speed

AEROSPACE

MICHAEL DONNE

THE WEST German aerospace industry, after several years of rather uncomfortable waiting, now has its hands full. Its major programmes—the European Airbus on the civil side and the MRCA Tornado and Alpha-Jet on the military—are moving ahead at full speed. Coupled with a steady flow of business in the helicopter, missile and battlefield weapons sectors, this has brought the industry's 51,000-odd employees something close to full employment, and has removed any immediate threat of contraction.

In terms of its public image, too, the industry has come fully of age. Germans can take real pride in owning a piece of projects as successful as the Airbus, and even in the leading role played by German contractors in the much-delayed Skylab/Space Shuttle. The German industry, while still much smaller than its French or British counterparts, has proved in its technical excellence and its manufacturing capacity to be their equal.

It has long been axiomatic that no new major European joint programme can be contemplated without German participation. But the point has now been reached where the Germans can realistically hope that they might win design leadership of a major project—the still largely hypothetical tactical fighter aircraft for the 1990s, the TKF 90.

Whether these hopes can be fulfilled remains to be seen. Contacts between the West German, French and British defence ministries and air staffs, with a view to agreeing on a single design for the TKF 90, have borne no fruit so far. Besides differences of military opinion over the aircraft's exact specifications and combat role, the project has aroused familiar strains of national pride on the part of all three prospective partners.

The stakes are high in both prestige and financial terms, for the TKF 90 is the prospective successor to the Tornado for European NATO air forces. In more optimistic moments, some German officials hope it might even become a project in which Europe could share design and production on something like equal terms with the United States.

Solution

For the time being both West Germany's largest aerospace group, Messerschmitt-Boelkow-Blohm (MBB), and the German-Dutch Vereinigte Flugtechnische Werke-Fokker group have been flirting to a greater or lesser extent with American partners. Yet there can be no mistaking the German Government's strong interest in a "European solution," even if it is prepared to fight hard to get the role for its own aerospace industry that it feels is justified.

For in the military field as much as in the civil, the consistent thread running through Bonn's policy towards the industry is that of co-operation within Europe. The alternative, as set out in several unpublished reports by Herr Martin Gruener, the senior official in charge of aerospace policy, is seen by Bonn as fragmentation, with European companies dwindling to mere subcontractors of the American giants unless they can weld into more durable form the consortium agreements already put to the test.

So far as the TKF 90 is concerned, the obvious model here is Panavia, the German-British-Italian consortium building the Tornado, and Turbo-Union, the international grouping of engine contractors working on the same project. No less successful, however, has been the precedent of Euromissile, the group which has developed and successfully marketed the Milan, Hot and Roland weapons systems, with much of the design work done by the German partner, MBB. With a solid base in its BO-105 range of helicopters, MBB has also set up the foundations of a new international grouping with the French State-owned aerospace group, SNIAS, for development of a generation of advanced tactical helicopters for the next decade.

Of all the European consortia, however, it is perhaps Airbus Industrie, builder of the A-300 and A-310 Airbuses, that is most in the public eye. The success of the two airliners in a world market hitherto dominated by Boeing of the U.S. has gratified the German Government and fully vindicated its belief that billions of Deutsche Marks poured into aerospace projects can be justified only if the aircraft which result are aircraft the market wants to buy. There can be no doubt about the market's interest in the two Airbuses. In recent weeks Airbus Industrie has received a back-handed, yet doubtless sincere, compliment in the form of Boeing's grudging admission that it is less than confident of the future of its own projected 767 airliner, intended to compete with the A-310, the 200-seater, short-to-medium range Airbus variant.

In purely financial terms, however, the success of the project is harder to assess. Firm orders and options are within reach of the 350-400 range which, it was confidently believed at the start of the A-300 programme in the early 1970s, would allow the sponsoring governments to claim a dividend on their investments. For the Germans that magic threshold of profitability has

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Unfulfilled promise

MOTOR INDUSTRY

GUY HAWTIN

THE 1970s have nol been an easy decade for the West German motor industry. They opened with a promise whicb remained unfulfilled and are ending with an industry which has radically revised its concepts.

Much of the story can he read from the figures. In 1970, the iodustry produced 3.84m vebicles of all types. By 1978 output had reached 4.19m units —only 9 per cent up on the 1970 total.

A growth rate of 1 per cent a year can scarcely be considered spectacular even in a decade whicb has spawned two energy crises and the growing acceptance of near zero growth. While the post 1973 oil crisis furnished a setback from which it took the industry two years to recover, this was a problem sharad hy the world industry as a wbole and does not in itself explain the low growth rate.

The explanation comes in the figures for overseas production. The West German motor manufacturera in 1970 produced some 607,090 units abroad, but by 1978, despite the oil crisis, this had risen to just under 1.1m units—an expansion of over 81 per cent. This year overseas output will be even higber.

During the course of the decade the West German motor industry bas become truly multinational. Although in many respects the development is still in an early stage—and perhaps, reluctantly undertaken —the process is bound to continue.

Despite the stormy course of the 1970s, the industry has enjoyed record profits since recovery from the 1974-75 recession. But while high domestic demand has maintained and increased profitability, the industry's market pattern has cbanged profoundly—and with it its market approach. Home production bas been increasingly underpinned by sales in the home market. Exports since the start of the 1970s have declined slightly from around the 2m units a year mark to about 1.9m units a year.

Decline

The destination of the export shipments from West German production, however, have changed substantially. There has been a dramatic decline in sales of high volume production cars in the U.S., which has been offset by a corresponding increase in sales in the natural market in Europe.

Behind this change in the pattern of demand has been the steep appreciation of the Deutschemark against most of the world's major trading currencies. The dollar has declined from DM 4 to under DM 1.80 during the course of the decade. In doing so il has pushed up overheads across the whole industrial spectrum. The West German motor industry's labour costs, for instance, are now among the highest in the world —exceeded only by those in Belgium.

In 1978 West German motor manufacturers paid an average of DM 24.44 per man bour. This compared with DM 24.78 in Belgium, DM 21.50 in the U.S., DM 20.98 in Holland, DM 20.65 in Sweden, DM 16.33 in Japan, DM 13.82 in Italy, DM 13.11 in France and only DM 9.54 in Britain.

As with all other industrial sectors in the Federal Republic, the motor manufacturers reacted swiftly to rationalise production, eliminate bottlenecks and reduce costs. Relatively little new production capacity has heen hrought into commission by West German motor manufacturers since the early 1970s. However, existing plants bave heen upgraded and re-equipped to produce more units, more efficiently. Even so, it bas been impossible for the German mass car manufacturers to maintain their competitiveness in such highly price-conscious markets as the U.S. The quality car makers such as Daimler-Benz, Bayerische Motoren Werke (BMW) and Porsche bave continued to increase their ahares of a market segment where quality rather than price generates sales, but mass car sales bave shrunk dramatically.

The reaction of the mass car manufacturers, such as Volkswagen, Opel and Ford, bas been to try to cbange the hasis on which they compete with foreign motor manufactnrers. Instead of competing on price, they have been seeking to offer the consumer high quality coupled with the latest tecbnology. It is no surprise that VW and Opel bave pioneered the introdnction of the highly successful diesel-powered mass-produced car. This policy has been highly successful in Europe, as well as other parts of the world wbere relatively high car prices are the rule. However, it bas been impossible for West German-produced vehicles lo regain their pre-eminence in the valuahle U.S. market. Opel, General Motor's subsidiary here, withdrew from the markel three or four years ago and seems unlikely to return.

Volkswagen has started production ln the United States, importing engines and gearboxes from the Federal Republic. Although sales of the Rabblt—the U.S.-made version of the Golf model—started only in the summer of last year, it has had a hefty impact on the American small car market. Indeed, VW has now replaced American Motors as the country's fourth largest domestic car producer.

But VW's move to the U.S. has been only one instance of the West German motor indnstry's growing internationalism. Daimler-Benz and VW bave for long had major manufacturing operations in Latin America—Daimler-Benz lo Brazil and VW both in Brazil and Mexico. These operallons are taking on an increasingly import role in the business of hoth groups.

Volkswagen this year expanded its Brazil operations wlth the acquisition of a two-thirds interest in Chrysler do Brazil, Chrysler's loss-making Brazilian suhsldiary. Il is also planning co-operation with Chrysler's Argentinian operation, although it claims tbat it has no plans to take a financial stake in it.

Daimlar-Benz is giving its Brazilian truck-making operation a key role in its assault on the U.S. truck market. Starting next year it will start assembling a range of 9-14 tonne trucks in the U.S. from kits sbipped from its Brazilian subsidiary.

The aim is to carve out a major slice of the U.S. diesel-powered truck market — estimated currently at 15,000 units a year in the 9-14 tonne class. Initial production will be 4,000 units a year, rising to 6,000 units by 1981. The group's real polential in the market is far greater as U.S. operators, still heavily orientated towards the petrol engine, are expected to show increasing interest in the much more economical diesel.

Nor is the German motor manufacturers' interest merely confined to the American continent. Volkswagen this year announced an agreemant with the Egyptian Government to start assembling Its Beetle model in Egypt. Talks are also going on ahoul the possibility of assemhling or manufacturing in South Korea.

The new Mercedes-Benz four-wheel drive cross-country car, which comes in a range of 20 diesel and petrol driven models

But while developments overseas have heen particularly interesting during the past 12 months, the industry's domestic performance — for the car makers at least—has also been impressive. Domestic sales have ontperformed all predictions made at the beginning of the decade. In 1970 domestic registrations tolalled 2.1m cars and estate vehicles. This figure plunged to just under 1.7m units in 1974, recovering only to the 1970 level in 1975. Since then, however, bome sales have rocketed upwards and are likely to reach 2.7m this year. However, signa are that the prolonged boom is flattening out. Car output for the first eighl months of the year went ahead hy only 4 per cenl compared with the 1978 performance. This would normally give no major grounds for concern since manofacturers' order books have been vary high and the industry's production capacity has been fully utilised.

Outpul in July and August, traditional boliday months, was only 1 per cent up on the performance recorded in the same months of last year, hut manufacturers reported a substantial and persistent decline in the proportion of inflowing orders. The feeling in the industry is thal bookings could dictate a fall of some 10 per cent in new domestic registrations next year and the pessimists feel that the drop could he even greater.

This decline has not taken the industry by surprise. Motor industry chieftains have been predicting such a decline for some time and, as Professor Joachim Zahn, retiring chief executive of Daimler-Benz, has pointed out, it will represent a return to the steady growth trend rather than a real reduction in demand.

Commercial vehicle manufacturers, on the other hand, are seeing demand pick up after two years in the doldrums. The commercial vehicle makers bore up well during the 1974-75 recession. Bookings benefited greatly from large "one off" orders from the newly-rich petroleum exporting countries. On fulfilment of these orders, sales slipped. By the end of the first quarter of 1979, however, commercial vehicle output was up 18.6 per cent on the figures for the same period of the previous year to 88,700 units. By the end of the first half the improvement was 12 per cent on the comparable 1978 performance, with exports forging ahead by 25 per cent.

The feeling in the industry was that, despite this improvement, there was still no sign of thorough-going improvement in export demand for West German commercial vehicles. Even so, by the end of the first eight months output was still 11 per cent up on the 1978 performance.

As the industry enters the 1980s, the prospects, therefore, are for a return to normal. The car makers are looking forward to steady rather than spectacular growth, while the commercial vehicle manufacturers appear to be expecting much the same. For the early part of the next decade, much of the action will be overseas.

Full speed

CONTINUED FROM PREVIOUS PAGE

receded somewhat because of the remorseless rise of the D-mark against the dollar.

The German partners in Airbus Industrie, MBB and VFW-Fokker, linked through the Deutscbe Airbus intermediary company, face rising outgoings in D-marks, yet are paid in dollars—the standard currency for denominating aircraft prices. This nncomfortahle situation, familiar to other German industries such as merchanl shipping, has led the aerospace companies to consider the idea of sub-contracting abroad some of their own work on the Airbus in order to keep the prices of the A-300 and A-310 from rising still faster than they have alraady done in dollar terms, thanks lo recent trcods on the foreign exchange markets.

It is unlikely that Herr Gruener's Economics Ministry, which holds the purse-strings for the Airhus programme, would allow such a move in practice. However, lhe Government is in no doubt thal within the Airhus consortium Germany is at a disadvantage hecause of its relatively higher costs. The fond hope that the rising pace of productiou would justify a second Airbus prodnction line, to bc set up in Germany, has quietly faded. And there can be little doubt that the industry's currenl full work-load may nol he so easy to sustain when future joint international ventures are apportioned in detail.

It is partly in order to meet such challenges that Herr Gruener is trying to force a uerger hetween MBB and VFW —the German half of the VFW-Fokker group. He belleves, and few in the industry itself seriously disagree, that West Germany needs the "singla voice" in aerospace matters which the State-ordered concentrations in France and Britain have brought about in recent years. True, Bonn has no ambition to nationalise the industry (although tbe State governments of Bavaria, Hamburg and Bremen all have large stakes in one or other of the two companies). But no less than giving the industry greater international weight, Herr Gruener has also argued that tha merger would belp it adapt better to the future.

This is likely to mean in practice both that a number of smaller and less well-equipped plants would be closed down, while lhe work-load remaining mighl be shared ont more evenly.

Decisions

Traditionally, the north of Germany has lived off the feast-or-famine civil work, while MBB and the independent Dornier company (which intends to stay outside the proposed merger) have hrought a much steadier and more profitahle flow of military aircrafl orders to the south of the country. Labour would be shed.

Yet these are decisions that the industry's managers are unlikely to take willingly. MBB, which is expected in effect to taka over VFW and to dominate the merged group, has sought lo make the Government carry the can of unpopularity for any closures and redundancies, and to pay whatever extra costs might be incurred by re-jigging long-term planning so as to spread military contracts to the north.

All these considerations have belped delay for some two years a merger that has long seemed desirable. In addition, however, the intermittent talks between VFW and MBB have been complicated by disagreements among the shareholders of the two groups. Fokker, the Dutch half of the VFW-Fokker marriage, has changed its mind more than once over whather it now wants a divorce—apparently reflecting its own changing, yet seemingly limited, prospects for an independent future. On the German side, the Bremen State Government has tried to make its consent conditional on cast-iron guarantees for the jobs in VFW's hig plants in the city, while the Krupp group, the major private sbareholder in VFW, is bolding out for its own seal on the supervisory Board of the merged company and for a minimum of 10 per cenl of the shares.

In the MBB camp, where Bavaria and Hamburg own 43.5 per cent hetween them, things are no less difficult. Nelther the two Stale governments nor any of the hig industrial companies which own the halance of the shares seem prepared to accept any lessening of their own weight within the merged group. MBB's managemenl last month set the end of this year as a deadline for the takeover of VFW (a form of words that VFW executives, incidentally, still resent). However, deadlines have passed before, and it is anyone's guess exactly when a rationalisation that is agreed to be inevitable will actually come about.

Sharp U.S. challenge on costs

CHEMICALS

JONATHAN CARR

RARELY CAN statistics have painted a more glowing picture—seldom have they needed more qualification. The results of the "Big Three" West German chemicals companies in the first half of this year seem to be the stuff of which chairmen's dreams are made. Hardly had BASF announced group pre-tax profits up by 58 per cent and sales by more than 18 per cent against the first six months of 1978, than Hoechst and Bayer weighed in with similarly impressive announcements.

Since these three big multinationals together account for about 40 per cent of the German industry's sales (and about 6 per cent of world sales) it would seem time to reach for the champagne bottle. Still more so since figures released by the sector's own association, the Verband der Chemischen Industrie, seemed to indicate the trend was holding into the second half. Overall turnover in the first seven months rose by 15 per cent, with foreign business particularly buoyant—welcome news indeed for a sector now exporting more than 40 per cent of its turnover.

While the major companies are naturally pleased, and have dropped heavy hints about dividend increases for this year, they are far from euphoric. For one thing the latest results are being compared with a modest performance in 1978 which itself followed a poor one in 1977. And the future is filled with uncertainties over many of which the industry can have no control—from the price decisions of the OPEC states to the (not unrelated) question of currency fluctuation.

Last year was—in sum—disappointing, although an upturn in the final quarter presaged better things. Naturally few were predicting a return to the heady era of the 1950s and 1960s when the sharp increase in overall economic growth was more than matched by the agility of the chemicals companies in finding ever-more customers and new products. The year 1976 brought something like the "good old days," with double-figure percentage increases in turnover, production orders and exports. But 1977 marked a dismal downturn, one of which this third largest sector of German industry in turnover terms (after vehicles and mechanical engineering) clambered only with difficulty in 1978.

True production in volume terms last year rose by just over 5 per cent. But a series of problems conspired to hold the rate of increase in turnover to only 2.7 per cent, bringing a total sales figure for the year of DM 88.5bn. For one thing the overall economic upswing at home was not very powerful—a particularly important point for a sector like chemicals whose product sales are so closely linked to the health of a broad range of other industries. Then the rise of the Deutsche Mark against most other currencies—but against the dollar in particular—made it still harder for German chemical exports to stay competitive, while making it somewhat easier for foreign suppliers to penetrate the German domestic market.

It is true that the strength of the Deutsche Mark also helped protect the chemical companies from the big rise in oil and raw materials costs. This is an important factor since around 12 per cent of the country's mineral oil requirement goes to the chemical sector, two-thirds of it as a raw material, one-third as energy.

But beyond that the German companies have also to contend with the effects on their competitiveness of a continuous rise in wage costs which, per man hour, are now reckoned to be about 30 per cent above the U.S. level. This wage level is, of course, accompanied by (and no doubt partly causes) generally exemplary labour relations which are the envy of most of West Germany's competitor countries.

But that notwithstanding, it has sometimes seemed that the German chemical concerns, even with their quality products and reliable delivery, might be in danger simply of pricing themselves off the market.

Overcapacity

Not all sectors of the industry performed weakly last year. World overcapacity in organic basic products naturally gave the German companies particular problems in this sector, along with man-made fibres, plastics and fertilisers. On the other hand pharmaceuticals, paints and lacquers, cosmetics and plant protection agents did relatively well.

However, only towards the end of the year did a broader improvement set in—spurred in part by the general economic recovery which is likely to give West Germany real growth for 1979 of more than 4 per cent. Furthermore, until the second half of this year the Deutsche Mark has been fairly stable, indeed at times it actually showed a devaluation against the dollar rate at the end of 1978. Only the renewed weakness of the U.S. currency in the early autumn, combined with the revaluation of the Deutsche Mark within the European Monetary System (EMS), has given German chemicals exporters scope for repeating their old currency grouse.

The markedly better use of capacity in the industry, combined with the ability to increase producers prices (they fell, on average, both in 1978 and 1977) has helped give the chemicals concerns those impressive first-half results mentioned earlier. Another first-half factor was stockbuilding by other industrial sectors fearing yet another major oil price increase, which itself would quickly work through into a further rise in the price of chemical products (among others). There have even been grumbles that the chemicals concerns have overdone their price increases.

To those critics, Dr. Rolf Sammet, chairman of Hoechst, has pointed out that in the first eight months his company has gained an additional DM 211m in turnover through price increases alone—but that it has had to pay an extra DM 245m over the same period for energy and raw materials. He expects Hoechst's additional raw material and energy costs in 1979 to be over DM 500m more than in 1978—which must mean that the company will seek still higher prices for its products this year if it can get them.

Can it do so—or, more broadly, can the German chemicals industry continue to obtain the prices and markets it needs to remain profitable against the U.S. in particular, whose costs are much lower?

This is a serious issue for the Germans—just as it is for British chemicals producers who have also recently complained about looming U.S. competition based on an "unrealistic energy and feed stock foundation, fuelled by a domestic economic downturn and aided by a weak dollar." Dr. Sammet notes that while raw materials costs in the U.S. were 15 per cent lower than in Europe at the end of last year, they are about 30 per cent lower today. Part of that difference is due to the intervention by the U.S. Government in the raw materials and energy market. Already American producers, with their lower domestic costs, can pay all the freight and customs charges involved in export and still give the West Europeans touch price competition not only on their own home markets but in third countries too.

The threat is a real one—but it should not be wholly forgotten that many German chemicals concerns are increasingly benefiting from the advantages of U.S. production facilities too. The trend to foreign production has been going on for years—but it is intensifying and the U.S., with its raw materials resources and huge domestic market, is a focal point of German investment interest.

Ambitions

Bayer already has roughly one per cent of the U.S. chemicals market and has set itself the ambitious goal of gaining two per cent. That may not sound very much—but that existing one per cent alone meant that last year Bayer's U.S. subsidiaries had a combined turnover of about DM 4bn—roughly equal to the total German domestic sales of Bayer AG, the parent company. Those U.S. sales figures include the results of Miles Laboratories, the pharmaceuticals concern taken over by Bayer in one of the most notable German acquisitions in the U.S. to date.

There are bound to be more. This year the German chemical industry is not only spending about DM 5bn on research and development; it is also devoting another DM 5.5bn to other investment, with the accent at home on rationalisation and replacement and abroad on expansion of production facilities. Does that mean that jobs are being lost in West Germany by this strategy? It probably means, rather, that the German companies are following the only course which will keep them in business in the long-term—thus providing jobs at home and overseas.

Debate centres on TV

THE MEDIA

ELGIN SCHRÖEDER

TWO RECENT events have startled observers of the West German media scene and revived public debate on whether the diversity of media opinion is threatened.

First came news that the biggest Social Democrat-owned daily, the *Homborger Morgenpost*, with a circulation of 240,000, may soon collapse. The paper has been making losses of between DM 5m and DM 6m a year lately because of extremely high labour costs and an antiquated printshop.

Then Chancellor Helmut Schmidt spoke out against the introduction of private television stations—long debated—and stopped Federal Post Office plans to lay cables in 11 West German cities to prepare for possible trial runs. In a newspaper interview the Chancellor said that existing public channels offer citizens a wide enough choice of programmes for everybody's taste. Experience had shown that private television, paid by edvertising, would only lead to a lowering of standards. It would be deplorable and also, be said, risky if it meant tampering with the public nature of the networks for the sake of a few politicians who counted on a better showing under a private system.

Different

When analysed, the two events turn out to be of widely different significance. If the *Hamburger Morgenpost* dies, it will be the first collapse of a major newspaper for a long time. On the whole, the economic situation of dailies, periodicals and magazines alike has picked up since 1973-74 when advertising revenue plummeted and labour costs went up. According to a Government media report published at the end of 1978, newspapers results have generally improved thanks to price increases, personnel cuts (because of technical innovation) and a rise in advertising revenue from 1976 onwards.

The circulation of dailies has remained stable over the past four years at more than 23m. Roughly one-fourth of issues are bought on the street. This means that every third person ..., regardless of age, buys a newspaper every day. Magazine and periodical circulation is even more astonishing. At 105m per issue, it breaks down to a regular purchase of 1.75 journals per person.

There is no denying that while circulation has remained constant, the number of newspapers has not. But the very strong trend towards concentration in the written Press, which gave rise to fears in the sixties and early seventies that opinions could be dictated by a few, seems to be broken. Between 1973 and 1976 (the latest official figure available) the number of daily newspapers fell to 1,229 from 1,236—a loss of only seven. By comparison, as many as 136 papers were either swallowed by bigger competitors or bad to give up in the three years up to 1973.

Of existing German Dailiea (as of July last year) only 119 were fully independent—i.e. edited by separate editorial staffs. But here too the trend to co-operation agreements has tapered off. Between 1956 and 1976 the number of papers not receiving most of their editorial content from some other paper was nearly halved—from 225 to 121. This means that during the 20 years up to 1976 an average of over five papers annually "lost their independence" while in the two years afterwards the average was only one a year.

Gone are the days when men like Axel Springer and Heinrich Bauer built newspaper and magazine empires almost unhampered. With five papers and a market share of over 28 per cent the Right-leaning Springer publishing house leads daily newspaper sales. Two of them, the respected *Die Welt*, with a circulation of just under 230,000, and the tabloid *Bild*, with street sales of just under 4m a day, are distributed nationally.

The magazine business is topped by the Bauer publishing concern. It sells roughly 16m copies weekly. Among its 15 magazines are the television programmes *TV Hoeren und Sehen* and *Fernsewoche*, both with a circulation of 2.5m, women and youth magazines, *Neue Revue*, an illustrated magazine, with a circulation of 1.2m, and the German issue of *Playboy*.

Blocked

Attempts by the market leaders to increase their holdings even further were finally blocked under new Cartel legislation in 1976 tightening control of newspaper mergers. It was forced through by the Social-Liberal (SPD/FDP) coalition government against strong protests from the opposition Christian Democrats (CDU), who feared a possible curtailment of their already powerful support from the newspaper sector.

Under the amendment the Cartel Office can take action when the turnover of two or more merging Press concerns together adds up to DM 25m (compared with a figure of DM 500m for the rest of industry). Thus Axel Springer's bids to buy majority stakes in *Muenchner Merkur*, a daily predominant in the Munich area, and "*TZ*," a Munich equivalent if *Bild* were vetoed. It also follows that offers by Bauer and its rival in the magazine publishing field Gruner Jahr to rescue the moribund *Hamburger Morgenpost* will need the approval of the Cartel Office (assuming the SPD first accepts the offers).

While the political dispute over the exercise of influence on the print media has become low key lately the controversy over the national radio and television system has increased. The ammunition for this was provided by a public opinion poll which ascribed the election victory of the SPD/FDP coalition in 1976 to an alleged Left-wing bias by the networks. The WDR (West German Radio), the biggest broadcasting station in the country, and the NDR (North German Radio), especially, have since been the centre of CDU attacks.

Things have come to a head in the case of the NDR. The station serves the three States of Lower Saxony, Schleswig-Holstein and Hamburg. Two of the States are CDU-run but cannot expect any political help from the NDR. The upshot has been that Herr Ernst Albrecht, Prime Minister of Lower Saxony, has threatened to break away from the NDR and to create his own Lower Saxony radio station. He also demanded that the monopoly of the public-owned stations be broken and commercial television allowed.

With this demand Herr Albrecht has become the spearhead of the CDU on the question of competitive TV channels. At its media congress last year the CDU came out in favour of the use of new technology—such as cable or satellite television and videotext — to increase diversity of opinion. It insisted that since such technology was available private stations should be established to supplement the existing system.

The dispute about the new media has now been carried into the ranks of the Government coalition. While the SPD, supported by the trade unions, is violently opposed to commercial television, defending the "proven" public system, the FDP is leaning towards acceptance. For altogether different reasons two leading FDP politicians have asked the SPD to reconsider its position. Herr Garhart Baum, the Interior Minister, sees a chance for a broader opinion spectrum, and Count Otto Lambsdorff, the Economics Minister, wants to open new markets for the electronics industry.

Domination by one party or by the State was exactly the risk the founders of the present German radio and television system wanted to avoid when broadcasting was set up after the war. The BBC served as a model in

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Uneven showing

RETAILING

GUY HAWTIN

WEST GERMANY, like France and Britain, is a nation of small shopkeepers. This is fully recognised by the country's trading laws which have been framed to protect the small man.

Retailing and wholesaling functions — the shopkeeper's church and state — are rigorously separated. Trading hours are strictly limited to ensure that the small man is not driven to the wall by the large groups' ability to stay open longer.

Even so, like his counterparts in Britain and France, the small man in Germany has come under increasing pressure. West Germany has discovered that regulations are no substitute for the ability of the large groups to offer lower prices. The independent traders' share of total retail sales has steadily — if unspectacularly — declined during most of the decade. In 1971 independent operators with up to four outlets accounted for 68.3 per cent of retail turnover. By 1977 this had fallen to 64 per cent.

Most heavily affected have been the small grocers. It is estimated that every time a giant "hypermarket" opens up 200 small traders go out of business. Even the village general store is no longer safe — the motor car and the mail order houses have considerably eroded traditional customer loyalty.

However, it is not only the small trader who is under pressure. The traditional German department stores have also fared poorly in recent years. Sales growth has been sluggish — last year it rose by a miserable 2 per cent compared with an overall 6.5 to 7 per cent increase in retail sales. In fact the department stores, in real terms, lost ground. After adjustment for inflation, the retailing sector's real sales rose by only 3 per cent.

Last year's performance of the country's two leading store groups, Karstadt and Kaufhof, illustrate the way things have been developing for the department stores. Both are well-managed groups and usually return an above average performance. Furthermore, 1978 was by no means a vintage year for the store groups, as retail spending was channelled into relatively narrow sectors such as the motor cars.

Karstadt, which has been heavily involved in digesting the Neckermann store and mail order group, which it acquired a couple of years ago, reported a hefty nominal increase in turnover. However, when adjustments for increased sales space are made, real sales fell marginally. The group, which owns Europe's largest department store chain, saw sales rise by 13.9 per cent to DM 8.14bn. Sales space, however, also went up steeply and, according to the Karstadt report, when allowances for this had been made real sales fell by 1.5 per cent.

Kaufhof's returns for 1978 provide further evidence. Last year its 84 department stores notched up sales of DM 5.6bn — only 2.8 per cent up on the 1977 figure. Sales space grew only nominally, and therefore the percentage increase can be taken as real.

It was much the same story this year. Despite strong overall sales growth throughout the retailing sector, the department stores' sales performance was sluggish. Karstadt reported a nominal growth of 7.9 per cent during the first half of 1979, which brought group sales up to DM 4.25bn. Allowing for increased sales space, however, growth was 3.7 per cent. The group's department stores reported sales up 15 per cent, but growth came back to 3.9 per cent after adjustments for increased sales space had been made. The group summed up its performance by saying, somewhat unenthusiastically, that turnover growth had been "acceptable." It also pointed out that the sales performance of its department stores had been among the best for its branch of the industry.

Jubilee

Kaufhof's sales this year should be considerably boosted by the fact that it is celebrating its 100th jubilee. Such occasions are traditionally marked in West Germany by special offers, jubilee sales and the like, which greatly add to normal turnover.

But in the first four months of the year the department stores' performance has been thoroughly uninspiring. Sales went up by a mere 0.9 per cent to DM 1.75bn. Allowing for a reduction in the group's sales space, growth was still only an unimpressive 1.5 per cent.

As the main effect of the jubilee sales will not be felt until later in the year, the first four months are no real guide to the group's performance, but they provide a guide to the way the branch, as a whole, has performed. Considering that total retail sales were up by a nominal 7 per cent and a real 3 per cent during the first seven months of the year, the department stores have gained less ground than their competitors in other branches.

The department stores have been hard hit by the "no frills" self-service department stores of the type that have for long been popular in the U.S. These, together with the mail order houses, have in recent years been making the running in the retailing sales growth league.

Both Karstadt and Kaufhof have "no frills" self-service department store subsidiaries, which have considerably outperformed the classical department store parents. Kaufhalle, Kaufhof's "no frills" subsidiary, for instance, has set the pace when it comes to sales expansion for at least the past two years.

In stark contrast to its parent's performance, Kaufhalle's sales went up 7 per cent in 1978 to DM 1.5bn. During the first four months of this year the trend continued, with Kaufhalle's sales rising 8.6 per cent compared with the same period of 1978 to DM 474m. Even allowing for increased sales space, the advance was 7 per cent.

West Germany's consumers have always been highly cost conscious, and with relatively low labour overheads the "no frills" stores can offer much the same range as the department stores at considerably lower prices.

A manager at a large traditional department store near Frankfurt said: "The crowds seem to be as large as ever, probably larger. But there seems to have been an increase in comparative shopping. A potential customer will see something he or she likes, but will move off to one of the self-service stores to see if they have something similar on offer at a lower price."

West Germany is a high-wage economy — average hourly labour costs at the beginning of this year amounted to DM 20.90 an hour. This compares with DM 16.80 in the United States and DM 10 in Britain. While the German shop assistant would tend to earn less than the national average, wages are sufficiently high to allow even relatively small self-service operations to offer substantially lower prices than their traditional competitors.

The West German department stores have been making strenuous efforts to rationalise and increase turnover per employee. They have enjoyed marked success in the attempt. Karstadt, for instance, reported an overall 10 per cent increase in group sales space but only a 6.6 per cent increase in manning.

However, there is a limit to how far the department stores are able to go in cutting back on staffing without departing from the traditional concept of department store service. Another beneficiary of lower staff overheads is the mail order groups, which also gain from not having to maintain expensive department store properties. However, it should be remembered that their overheads are high in terms of warehousing and catalogue printing.

The country's leading mail order concern is the giant Schickedanz group, which trades under the name of Quelle. In the 1978-79 business year (ended January 31) sales rose 1.8 per cent to DM 5.05bn. Although at first this might not seem impressive, the group managed to consolidate and improve on the massive 14.5 per cent sales increase in 1977-78—the result of a special sales effort to mark the concern's golden jubilee.

Mail order has for long been a popular form of shopping, particularly in rural Germany, and in recent years the large mail order houses have been extending their grip on the market. Showrooms and offices to assist customers to book orders have been set up in small towns and villages to back the local agent network. The inroads they have made in the market have usually been at the expense of the department stores.

Competing

The market in which they are competing is vast. Retailing turnover in 1978 rose by 6.1 per cent to DM 345bn, although inflation stripped back real growth to 3.6 per cent. First half sales were up by a further 3.8 per cent in real terms.

However, a report just published by the Munich-based IFO economic research institute forecasts a sharp drop in retail trade during 1980. Although disposable income in West Germany was likely to grow by 6 per cent, it said, there were greatly increased outgoings on petrol, heating oil and the recent increase in value added tax. The trend, IFO said, was already discernible, and second half retail sales were likely to increase by only 1-2 per cent. While this may be depressing news, particularly for the store groups, wholesalers remain optimistic about prospects for the rest of the year and 1980.

This optimism could well be justified as much of retail demand has been channelled in to narrow sectors — especially the motor car market. The signs are, however, that the long boom in domestic demand for cars is now flattening out. This could leave more money in the consumers' pocket for other branches of the industry.

Kaufhof and Karstadt in Dusseldorf: sluggish growth in recent years

Debate

CONTINUED FROM PREVIOUS PAGE

terms of autonomy and independence of political control. Furthermore, bauntad by the centralised take-over of broadcasting in the Nazi era, regionalisation became the aim of German politicians and occupation forces alike. Thus the networks were made the responsibility of the Leander, the Federal States, aod established as public corporations.

The supervisory Boards, which oversee the running of the stations, are made np of representatives of major social gronps including the political parties, the *trade unions*, the churches and so on. They have a say in the choice of the programmes, although the general manager, who is appointed by the Boards, generally has the last word.

The first German TV channel was born when the nina Laender radio stations formed a joint working group, abbreviated to ARD. During the day the stations offer separate regional programmes but in the evening they contribute to a joint effort.

It soon became apparent that coverage of politically or socially cootroversial matters tended to be assigned by ARD to networks in SPD-ruled States. To balance the SPD influence a second channel, ZDF, was founded in 1963. It was also established in the form of a public corporation and represents all tha Federal States. ZDF, which televises only one programme for the whole of Germany, had the repntation in its first 10 years of being friendly to the CDU. But since the mid-1970s it has increasingly been accused by conservatives of drifting to the Left.

Many viewers have tended increasingly to complain about what they feel to be one-sided coverage of events, deteriorating programme qnality—and of course about rising licence fees. Thus the majority of German citizens would welcome private channels in addition to the public system. Only nine per cent of all persons questioned in a recent opinion poll expressed total opposition to commercial TV.

Chancellor Schmidt has now atopped all such plans for the immediate future. The question remains whether it is really only fear of the effect on bis fellow-countrymen of too many crime series or too much advertising that has prompted his action. To give Herr Schmidt his due, be has been known for years to plead for less TV-watching. Yet this medium seems better suited than others to form people's opinions—and the SPD is beoefiting most from the current set-up. Thus Herr Schmidt's decision might also stem from a wish to defend SPD influence.

A cocoon of protection

SOCIAL SECURITY

ELGIN SCHROEDER

THE MUCH admired West German social security system—the closely woven net through which no citizen must be allowed to fall—seems to be in trouble again. Although the economic upswing has brought a reduction of those having to claim unemployment money, other problems are looming large. Health costs are spiralling once more—up 7.5 per cent on the first half of 1979 on the corresponding period last year. And the pensions insurance funds are facing a major reform by 1984 to ensure equal payments for widows and widowers. This is bound to be a drain on their weak finances.

Some may feel this is all a technical matter without much political significance. But they should remember that Chancellor Helmut Schmidt nearly resigned at the end of 1976 over a pensions issue. Tumult reigned in Parliament after the Social Democrat Party (SPD) had to admit that because of an expected deficit of more than DM 30bn in the early 1980s, the pension funds were not as secure as it had claimed only months before in the general election campaign.

This deficit was later averted under a plan which brought harsh criticism from the opposition. For the first time tough words about a "pensions fraud" made the rounds.

The new scheme envisaged a pension rise of 4.5 per cent in 1979, and then of four per cent in each of the two succeeding years. This compared with annual increases of as much as 10 per cent in recent years. It meant that pensioners could no longer be certain of keeping ahead of inflation, let alone of the average rise in wages and salaries to which they had become accustomed. Furthermore, from 1982 pensioners will have to make a contribution to their sickness insurance.

Finally, it was agreed that from the start of 1981, contributions to pensions insurance will be increased by 0.5 per cent to 18.5 per cent of wage or salary. All this amounted to a bitter pill for the SPD-led Government to swallow.

The recent recession and the growing number of pensioners in proportion to the working population have naturally strained the social security system. None the less it still provides most Germans with a warm cocoon of protection against most foreseeable hazards from the cradle to the grave. A total of 85 per cent of the workforce are wage and salary earners and thus subject to the scheme. Many self-employed subscribe to it voluntarily. The rest profits at least from some aspects of the welfare state.

Manifold

The benefits are manifold. Old-age pensions now average around DM 1,100 a month. The health insurance funds offer comprehensive cover, from doctor's and dentists' visits to operations and three-week cure holidays—the envy of Germany's neighbours. Every employee and worker who falls sick is entitled to full pay from his employer for six weeks, after which time the health funds take over on a reduced payment.

Working women expecting a child are entitled to eight weeks' maternity leave on full pay both before and after confinement. Under a new law they can now apply for an additional four months' leave during which they can receive a maximum of DM 750 a month paid from public funds. Child allowances have been stepped up to a monthly DM 50 for the first child, DM 100 for the second and DM 200 for the third and each subsequent child. The allowances continue until a "child" is 27, if he or she is taking an approved course of study.

Even the unemployed are relatively well off. They receive an automatic 68 per cent of their last net pay for their first year out of work and 58 per cent after that, provided the local labour office thinks they are not *shirking* a new job.

The costs are staggering. Already roughly one third of West Germany's total Gross National Product goes to social security. In the 30 years since the establishment of the Federal Republic social expenditure has rocketed from DM 20bn to over DM 400bn. Old-age and survivors' benefits account for almost 40 per cent of the social budget, while another 30 per cent goes to health preservation and restoration. Official forecasts predict a further increase in social expenditure of over 25 per cent to around DM 508bn by 1982—a rise of 6.3 per cent annually.

These figures do not simply underline the magnanimity of the State. They also reflect a growing burden on a great part of the population—the wage and salary earners as well as the employers. Contributions to the pension scheme and to health and unemployment insurance have climbed steadily.

The rise has come about in *two ways. First,* an *ever greater* proportion of earnings is swallowed up by social security contributions. In 1949 only 20 per cent of wages or salaries (shared equally *between* employee and employer) was spent on social security. Now the figure is just under 33 per cent. This breaks down into 3 per cent for unemployment insurance, roughly 12 per cent for health insurance and 18 per cent towards an old-age pension (with another 0.5 per cent rise foreshadowed).

Secondly, the level of earnings governing social security contributions has been continually raised. Next January this *ceiling* will be pushed up again from DM 4,000 a month for unemployment and pensions contributions to DM 4,200 and from DM 3,000 to DM 3,150 for health insurance contributions. Thus the total maximum monthly contribution paid by an individual wage or salary earner (and *matched* by the employer) will then go up to exactly DM 766 from just DM 600 now—and against less than DM 50 in 1949.

Under the latest pensions adjustment legislation new contribution increases have already been programmed. The question is now whether these will be sufficient to cope with the costs of a structural reform which has become necessary under a constitutional court ruling. It demands that payments for the survivors of pensioners be reorganised so that women (who at the moment receive only 60 per cent of deceased husbands' pensions) be treated in the same way as men.

The Government set up a commission to prepare proposals for meeting this ruling. It also gave it the task of simultaneously looking into an overall improvement in the *social situation* of women. The commission presented various reform models.

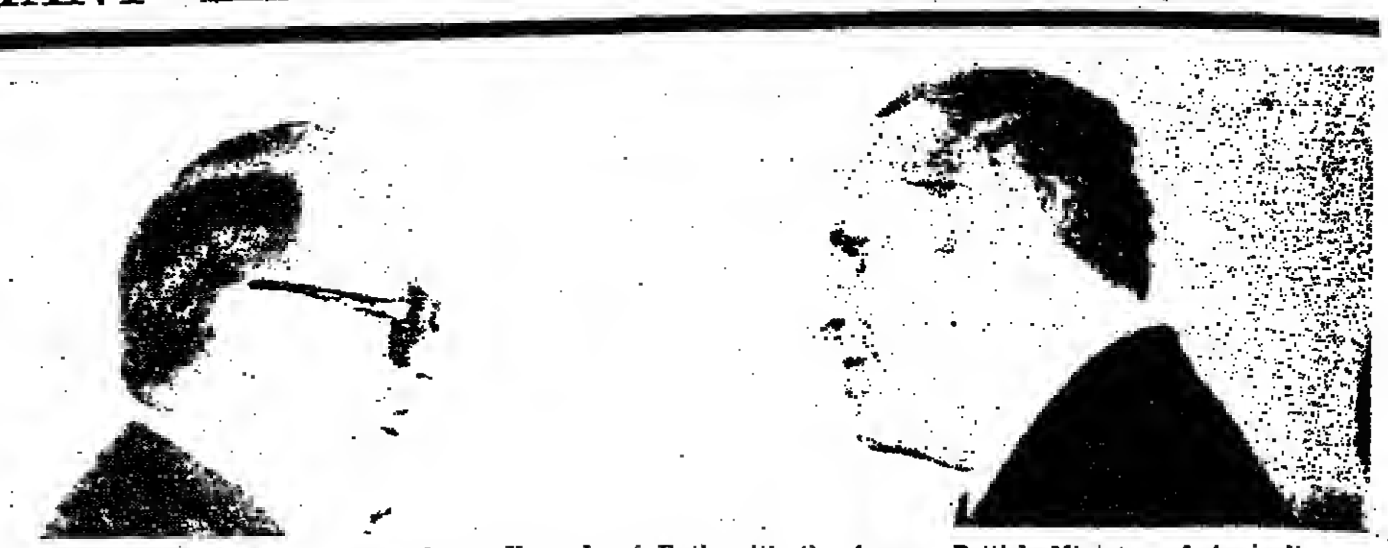
Dispute

But then Frau Anke Fuchs, State Secretary in the Labour Ministry, stirred up a new dispute by advocating *future* taxation of pensions and a greater employer's share in contributions to pension funds. She said this share should be based on a *company's* turnover *rather* than on its payroll. She explained that such measures would be unavoidable for financial reasons, if pensions were to be increased after 1981 in step with wages and salaries as the Government had *promised.*

Although Frau Fuchs hastened to deny that any concrete plans for these measures had been approved, the d*amage* was done. Once again the media spoke of a "pensions fraud." One year before the next general election the pensions debate has reopened with a vengeance.

The discussions have been inflamed by dire predictions about the future development of the system. According to a Labour Ministry paper, in 20 years contributions to the pensions scheme alone will reach 30 per cent of income because of a falling birthrate, slower economic growth and unemployment. As the working population cannot be expected to bear such a burden, the Government is frantically searching for a solution to the problem.

So far it has been examining many ideas—all of which seem to involve a cut-back in services. This would hardly be a popular move for parties which want to stay in power.



West German Minister of Agriculture, Herr Josef Ertl, with the former British Minister of Agriculture, Mr. John Silkin, at an EEC meeting earlier this year

Benefits from the CAP

FARMING

JOHN CHERRINGTON

WEST GERMAN farmers have done very well out of the Common Agricultural Policy, which has effectively supported much of their surplus production. At the same time it has enabled the structure of their industry to survive the rationalisation undergone by other member countries since the Community was formed. Farming since the war has been based on a social policy which was determined not to allow the countryside to become a place of big farms and suburbanites.

Instead, although there have been policies for the amalgamation and enlargement of holdings to a modest degree, there has also been a deliberate policy of encouraging industry to the countryside so that part-time industrial work can occupy the spare time of those whose farms are too small for present day needs. Something like half those farming are now part or spare time, although their output is much less than their proportion would suggest because of the much smaller size of their holdings. Their support is generally considered as being essential for the social fabric of the country.

Nor should much account be taken of the criticism often made in this country that German farmers are inefficient. It is true that they seldom have the economies of scale, but in terms of production per acre or per livestock unit, German farmers are well up to the best in the Community. So much so that intervention buying of surpluses of dairy products and beef is the highest in the nine countries. Even the much publicised sales of butter to the Russians have so far failed to make much of a dent in Germany's butter mountain, which at 245,000 tonnes at the end of August was almost half that of the Community as a whole.

Defenders of the German dairy industry point to the fact that the rate of growth in butter production has been far less than in certain other countries, and that there has been a steady fall in the number of those in dairying. Quite true of course. Since 1975 the number of dairy cow keepers has fallen by 24 per cent. But the number of dairy cows has remained almost the same, and milk output has risen approximately by 10 per cent.

The realisation that something will have to be done about this continuing increase in dairy production has reached the German Farmers Union, and its President, Herr Constantin von Heereman, went on record at this time last year to suggest some form of national quota to be applied on a Community wide basis, so that those over producing should have to bear the cost of their own excess production. Nothing much has been heard of this since, and the Commission is firmly against any form of national measures as being against the rules of the Community.

However, recently Herr Josef Ertl, the Minister of Agriculture, has called for a wide-ranging debate on the very principles of the CAP. Writing in the Federal Press and Information Office's French Bulletin, Herr Ertl, after justifying the social achievements of German farming policy, called for much stricter measures for controlling surpluses.

Obsessed

Herr Ertl is obsessed, as are many European spokesmen, with the notion that the main cause of the milk surplus is not the increasing efficiency of the dairy farmers alone, but the use in some countries of large amounts of soya bean meal and other imported feeds, which turn the cows into milk factories. Only if the industrialisation of dairying is reversed will the milk crisis be averted. He recommended that aid should only be given to grass-produced milk.

Herr Ertl's contribution was doubtless sparked off by the realisation that by 1980 the Community could run out of funds with which to subsidise the CAP, and that there is now widespread criticism of the farming community by the Social Democrats. Criticism which will undoubtedly sharpen should there be any further demands on the German Exchequer. This has been fuelled by the revelation that German farmers have been alleged to pay less income tax than most other sections of the population.

But both Herr Ertl and Herr Heereman are defending a position which is fundamentally incompatible with the basis of the Common Agricultural Policy. Because of successive revaluations of the D-Mark German farmers receive what amounts at the moment to a 10 per cent price advantage over farmers elsewhere, and this is protected by duties on food imports from other member states.

Because of this protection, and of course the general efficiency of farming, Germany is self sufficient or in surplus in most livestock and other temperate products. Most Germans appear to think this is as it should be, and you hear very little actual criticism of the farming policy.

But other member states don't see things in the same light. Those depending more on agricultural exports, notably the French, Danes, Irish and Dutch appear to think that, as Germany has the most prosperous industrialised society in the Community, it should be prepared to accept the exploitation of its food markets by producers whose costs are probably a great deal lower and who depend on their farmers for economic, and not social reasons.

This issue is unlikely to be able to be resolved in any Communautaire sense, and it is inconceivable that the Germans would allow the destruction of the social fabric of their rural society which a complete adoption of the CAP would entail. The fact that the Community is likely to run out of funds is probably going to be a catalyst for a change to national policies in the rest of the Common Market, agriculturally at least.

William Dullforce, Nordic Editor, reports why tomorrow's Danish election is unlikely to solve the country's political paralysis.

A mood of resignation and scepticism

DENMARK TODAY illustrates to a nicety the dilemma of accommodating the welfare state to economic and political realities. The nation's per capita income is among the six highest in the world, it has an enviably high standard of living and the affluence has been spread to eliminate extremes of poverty and wealth.

Yet the Danes go to the polls tomorrow for the fourth time in six years in a mood of resignation and scepticism which is quite foreign to their usual extrovert cheerfulness. They know that their votes will not relieve the political paralysis within the Folketing (parliament) and are most unlikely to produce a government capable of acting decisively on the deep-seated contradictions in their society which are now breaking through the surface.

The malaise is both political and economic. It reflects widespread dissatisfaction among voters and possibly a lack of political leadership. It also reflects the economic imbalance engendered during the 1960's when the Danes felt they were building a welfare state free of the defects established in the earlier, post-war British model.

The reason for the new election is the collapse of the coalition which Mr. Anker Joergensen, the Social Democrat leader, forged with the Liberals in August last year. This historic compromise across the dividing line between socialist and non-socialist camps was greeted by many Danes as the breakthrough for a middle-of-the-road Government with enough weight in the Folketing to push through sensible solutions.

It failed in the final analysis because the Social Democrats chose solidarity with the trade unions instead of the confrontation implicit in the policies preferred by the Liberals.

There were 11 parties in the last Folketing and 12 are contesting the present election. This fractured political scene dates from 1973 when after a non-socialist coalition had failed to fashion an effective alternative to Social Democrat policies, voters expressed their discontent with the old parties by turning to small parties campaigning on seemingly maverick issues.

Among these was the Progress Party, the anti-tax protest group headed by Mr. Mogens Glistrup, which became the second largest party in the Folketing and, to the astonishment of the Danish political establishment, has maintained its position despite the prosecution and subsequent conviction of Mr. Glistrup on tax evasion charges. The conviction is now under appeal.

Anker Joergensen: failed to join forces with the Liberals.

PRESENT FOLKETING	% of votes in 1977 election	Seats
Social Democrats	37.0	65
Progress Party	14.6	26
Liberals	12.0	21
Conservatives	8.5	15
Centre Democrats	6.4	11
Socialist People's Party	3.4	6
Communists	3.7	7
Radical Liberals	3.6	6
Christian People's Party	3.4	6
Single-tax Party	3.3	6
Left Socialists	2.7	5
Greenland	—	2
Faroe Isles	—	2

Henning Christophersen: trade union power is the central issue.

Alliance

The accompanying table demonstrates the impossible situation prevailing in the Folketing. Parties of the extreme Left or extreme Right, which are not considered eligible for inclusion in government, hold 45 seats while the remaining 130 (excluding the four Greenland and Faroe Isle representatives) are divided among seven parties.

No majority is possible without a coalition across the socialist/non-socialist border of the kind which has just failed. The election will not substantially alter the picture. Opinion polls indicate a slight decline in the strength of the Social Democrats and some gains for the hastily resumed alliance of the Liberals, Conservatives, Centre Democrats and Christian People's party, but not enough to give them a majority.

The political impasse is partially attributable to Denmark's proportional representation system under which parties need to win 2 per cent of the total votes to get into the Folketing. The 4 per cent limit applied in Sweden or the 5 per cent in West Germany are more effective barriers to such political splintering.

But the persistence of the vote for the smaller parties and in particular the stability of the support for Mr. Glistrup since 1973 suggest that the apparent aberrations of the Danish voters represent a political reality. This is almost certainly not opposition to the principles of the welfare state but is surely a protest, however illogical, against its effects and results.

The most obvious symptom of the country's problems are the intractable payments deficit and a widening budget deficit whose financing is pre-empting resources badly needed to expand the productive base. At the beginning of this year the coalition Government planned to reduce the deficit on current account from last year's DKr 12bn to DKr 6.5bn in 1979. The most recent forecast anticipates a deficit of close to DKr 14bn (£1.26bn).

Denmark has run a foreign deficit for decades and has borrowed regularly abroad. The country's trade imbalance has been exacerbated by the oil price increases of the 1970s at the same time as internal cost pressures have tended to undermine the competitiveness of industrial exports.

The Danes have muddled through the crisea of the 1970s because of the availability of foreign loan capital but the net foreign deficit has now reached around 25 per cent of GNP. Although foreign bankers still consider Denmark a good risk, the fear that the country will have to suffer the disgrace of submitting to the tutelage of the International Monetary Fund is being voiced.

Denmark offers one of the most clearly defined examples of the mixed economy principle on which the European Social Democrat parties have founded their welfare states. Its agriculture and industry are firmly based on private enterprise and free market principles.

In good fettle

Moreover, its farms are small and its businesses are small. The average number of employees per company is around 55. The Danish Social Democrats have never had nationalisation in their programme and have left private industry to get on with the job of creating wealth.

Even during the critical 1970s the State has subsidised faltering companies only to a very limited extent. Alone within the West European shipbuilding industry Danish yards had to struggle on without subsidies.

Business is not heavily taxed to meet social service costs. Companies which get into trouble are not bailed out but are allowed to go bankrupt. The result is that the surviving industrial companies are in good fettle, their productivity is high and they give a return on capital which on average is larger than that currently earned by Swedish companies.

The trouble is that industry is not big enough to shoulder the superstructure of a public sector which has expanded at a much faster rate. Danish businessmen claim with justification that the odds have been stacked against them in the competition for resources, while wage costs, boosted by an indexation system and a high tax level, place an enormous demand on their capacity to improve productivity and generate exports.

Recently the Danish Federation of Industries published its own suggestion for the speech from the throne at the reconvening of the Folketing. It called among other measures for a wage freeze but also underscored the difficulties industry waa baving in offering employees terms which could compete with those available in the public sector.

Between 1972 and 1978 employment in the public sector rose by 172,700, while jobs in manufacturing and processing declined by 59,200 and those in agriculture and fishing by 17,300. Employment by local authorities overtook the number working in manufacturing this year.

Close to 7 per cent of the labour force is without work and unemployment is expected to rise again at the same time as some manufacturers complain they are short of skilled workers. The unemployed draw benefits amounting to 90 per cent of their previous wages up to a maximum of DKr 251 (£22.75) a day. Outside the main towns moonlighting is expanding.

The gross imbalance between production and public sector spending is recognised. So far the political paralysis has prevented corrective action while economic policy has been confined to putting together short-lived emergency packages at each crisis.

Monetary link

The one consistent thread in recent economic policy has been the insistence on keeping the krone linked to the Deutschemark through Denmark's participation in the European currency "snake" and now in the European Monetary System. The argument has been that this policy imposed self-discipline, restricted inflation and helped to contain wage demands. Less clearly expressed has been the belief that the link with West Germany and the EEC offered a form of insurance.

Parity adjustments within the "snake" and EMS since 1975 have entailed a devaluation against the DM of some 25 per cent, wbich in theory allowa for the difference in the rates of inflation in the two countries, but it must be a moot point whether there is sufficient compatibility between the two economies to justify the currency link.

One suspects that the Danish politicians know in their hearts that the krone remains overvalued and that the link is aggravating the difficulties of the export industry. The problems would seem to be that the political circumstances do not exist for tackling the real economic problems which would entail a settling of accounts with unions.

Mr. Henning Christophersen, the Liberal leader, has said that the key issue of the election is the power of the LO, the trade union federation. His theme is that Parliament must remain the final authority and like Mrs. Thatcher he can hope to appeal to the growing antagonism among voters towards corporate power and corporate bosses.

But the LO is the central issue of the election in a deeper sense. A major problem for Danish industry in the future will be capital formation. Industrial investment as a share of total investment has been steadily falling since 1960. The ratio of equity to debt within Danish business has declined by nearly a third in the same period.

Industry competes for capital on a market dominated by a mortgage bond system which has given Danes probably the highest housing standards in Europe but which totally overshadows the small stock market and currently offers interest rates far higher than any return obtainable on shares.

One reason for the breakdown of the Social Democrat-Liberal coalition was a compromise on economic democracy reached between the Social Democrats and the LO. The two are now putting forward a mucb modified plan for employee investment funds to he financed from a 10 per cent deduction from company after-tax earnings.

The funds will operate partly at company level but a central fund is also to be established as an insurance against losses to employees in companies which go bankrupt. This scheme is seen as the price the Social Democrat Party will pay for wage restraint.

To Danish businessmen, ardent free marketeers, the central fund is the thin end of the wedge which will completely subvert the liberal economic principles under which they have hitherto operated with the understanding of the labour movement. Opinion polls indicate that the central fund concept is even opposed by a majority of employees.

Referendum call

Should the Social Democrats emerge from the election in a position to push the fund programme through the Folketing with the support of the small left-wing parties, the Danish industrialists and non-socialist parties will call for a national referendum, as they are entitled to do under the constitution.

A major argument for the central fund is labour solidarity: workers in companies which make small profits should benefit as much as those in highly profitable companies. It is here that the collective principles embodied in the Social Democrat welfare state clash with those of free market enterprise, a conflict which has so far been studiously avoided by the Danes.

The emergence of this issue illustrates the tensions which are gradually coming to a head in Denmark. The present election will almost certainly not resolve them. It will probably not even help to solve the more immediate economic problems. The likelihood is that Denmark will have to go through a period of greater social conflict including strikes, before solutions emerge.

Letters to the Editor

The trend of profits

From Mr. M. Fulwood.

Sir,—Lord Kaldor (October 17) suggested that the figures published by the Treasury in its latest Monthly Economic Progress Report gave a misleading impression as to the trend of industrial profitability in Britain. I would broadly agree with Lord Kaldor's contention that there has been no fall in the share of gross profit in the gross value-added of industry and transport between 1968 and 1978, which would suggest that "trade union power" has not squeezed gross profit margins during this period. Even over a longer period since the Second World War the evidence suggests that there has been no significant squeezing of gross profit margins.

The remainder of Lord Kaldor's letter however, does, I believe, give a misleading impression. He implies that the deduction of stock appreciation from company profits does not give a true indication of industrial profitability. This view is open to some dispute. Stock appreciation is purely "paper" profit and is not the result of the trading operations of a business. It is therefore not realisable profit if the business is expected to continue and should be deducted if a figure for true operating profit is calculated. Only if a business is expected to be wound up at the end of a particular period will stock appreciation become realisable profit. The same arguments also apply to fixed assets in that a sufficient amount of money must be set aside to cover the replacement cost of capital if the value of a business as a continuing concern is to be maintained.

A much truer indication of the trend of profitability, therefore, is represented by Lord Kaldor's third column of net operating surplus as a proportion of net value added. Unfortunately even these figures are misleading as to the trend of profitability for the great majority of British industry. Lord Kaldor's definition of industry and transport includes the mining and quarrying sector which, thanks to North Sea oil and gas, has changed, in the past few years, from being the least profitable sector of industry to the most profitable. The recent rise in real profitability, as represented by column 3 of Lord Kaldor's table, is to a large extent due to the impact of North Sea oil production and is not a true reflection of profitability in the rest of British industry. The table reproduces Lord Kaldor's ratio of net operating surplus to value added in industry and transport together with the same ratio excluding mining and quarrying.

Ratio of net operating surplus to value added in industry and transport in the UK

Year	(1) Including mining and quarrying	(2) Excluding mining and quarrying
1968	22.7	23.4
1969	22.5	23.3
1970	19.5	19.9
1971	19.2	19.6
1972	20.4	20.8
1973	19.7	20.0
1974	13.1	13.7
1975	11.8	12.9
1976	14.6	14.0
1977	18.7	16.2
1978	18.2	15.4

Definitions—Net operating surplus is equal to gross trading profits of companies plus income from self employment plus gross trading surpluses of public enterprise less stock appreciation and capital consumption at replacement cost. Value added is equal to gross value added less stock appreciation and capital consumption at replacement cost. Source—CSO National Income and Expenditure (1979 Edition) tables 1.10, 3.1 and 11.3.

Even allowing for cyclical recessions there is a significant downward trend in the profitability of industry, excluding mining and quarrying. Measures of the real rate of return on capital employed would show an even steeper downward trend over the 1968-78 period since the capital-output ratio has risen quite sharply in the last ten years (ie each unit of capital produces less output). Some of the rise in the capital/output ratio has been due to the very deep recession in the 1970s but trade union power has also adversely affected the ratio in that restrictive practices and overmanning have reduced the productivity of much investment.

The poor productivity performance of British industry and pricing techniques which have failed to take into account the cost of replacing assets in a period when inflation has been accelerating have been major factors in the decline of industrial profitability in the past decade.

Michael Fulwood,
206, Maritime House,
Old Town, Clapham, SW4.

The shop floor

From Mr. D. Buckle.

Sir, — You are guilty of double standards. In your editorial on October 18 headed "Unions and leadership" you defend the right of Confederation of Shipbuilding and Engineering Unions national officials to go over the heads of shop stewards and the shop floor in respect of the Leyland ballot. You also say the shop floor should take the advice of national officials. Yet a few weeks ago you were supporting sections of engineering workers who rejected a call from national officials of the CSEU to support the pay claim and shorter working week.

What do you want? Do you know?

D. J. Buckle.
(District Secretary.)
Transport and General Workers Union, Transport House,
46, Cowley Road, Oxford.

Shareholder power

From Mr. D. Malcolm.

Sir, — I feel that the letter from Mr. Hutchins (October 17) should not go unanswered. The Prudential is not acting only on its own behalf; it is taking this action in its name with the full and undivided support of a number of other institutions which also feel that they have a responsibility to the investing public at large.

It is difficult to accept the logic of Mr. Hutchins' concluding paragraph, which if I understand it correctly, is a strident forward plea for the oppression of minority shareholders and an attempt to suggest that they should not have access to the courts for the purpose of redressing wrongs. Even ignoring the fact that most company meetings are attended by only a small proportion of the shareholders, it is still necessary to ensure that these meetings are conducted properly and that decisions there are reached in the light of all the information which it is possible for the meeting to have.

D. Malcolm.
Royal Insurance Company,
Bow Bells House,
Bread Street, EC4.

The courts of Europe

From Mr. T. Bennett.

Sir,—I should like to comment on a passage in Mr. Moreton's article on the Isle of Man Common Purse agreement (October 15).

The Isle of Man "birching" case was heard by the European Court of Human Rights in Strasbourg: this court was set up under the European Human Rights Convention, itself adopted in the framework of the Council of Europe. Customs duties and the CAP are Common Market matters, coming under the jurisdiction of the European Court of Justice in Luxembourg by virtue of the Treaty of Rome setting up the EEC. The nine EEC countries happen to be members of the Council of Europe as well as signatories to the Human Rights Convention, but these two legal frameworks are completely independent and should not be confused.

Mr. Moreton ought to have been less patronising to Manxmen in his penultimate paragraph, as, until the EEC signs the Human Rights Convention, birching will continue to have nothing legally in common with either customs duties or the CAP.

T. J. Bennett,
2, Amen Court,
Ave Maria Lane, EC4.

Speculative orgy

From Mr. R. Beckman

Sir,—While I find many flaws in the comparison Mr. Anthony Harris has made with the 1930s, which he claims (Oct. 12) I am trying to relive, the most glaring flaw is his treatment of capital markets. Mr. Harris claims that we are not likely to have a repetition of the 1929 "Crash" since there has never been a speculative orgy which normally precedes such a crash. Shares are cheap, selling below asset values and are at low price/earnings multiples, etc. I would point out that the "Crash of 1929" is remembered primarily as a result of the severe decline in one specific capital market . . . namely shares in the United States stock market.

One need not look very far to find a speculative orgy that could contribute to a similar "crash" this time around. There has been a mass speculative orgy in what has become known as "collectibles." Coins, wine, stamps, worthless bonds, prints, paintings, antiques and other items of dubious intrinsic worth have soared to dizzy heights . . . not to mention what has been happening in gold bullion. But no doubt the biggest speculative orgy of all can be found in domestic housing in Britain where private individuals have first mortgages, second mortgages and rent charges on their own homes in addition to property which they hold for "investment purposes."

As most recognise, the stock market "Crash of 1929" was attributable to margin debt. In our contemporary environment the only area of growth that has exceeded the growth of house prices has been the growth in mortgage lendings. It is my view that what the stock market was to American capital markets in 1929, the property market is to British capital markets in 1979.

Robert C. Beckman.
Investors Bulletin.
Suite 491 Park West,
Edgware Road,
Marble Arch, W2.

Smoking and cancer

From Dr. G. Myddelton

Sir,—I am astonished that Dr. Keith Ball (October 11) should challenge my figure of 80 per cent as the proportion of lung cancer deaths in women unrelated to smoking merely because the U.S. Surgeon General's report says cigarette smoking is a major cause of lung cancer in both men and women.

Dr. Cuyler Hammond's prospective survey of some 562,671 women in 1966 recorded 210 deaths from lung cancer of which 128 (61 per cent) were among non-smokers. Of the remaining 82 deaths among the smokers it can be calculated that 35.5 would have been expected even if this group had never smoked at all, leaving 46.5 deaths (22 per cent) statistically related to smoking. This gives a figure of 78 per cent of the lung cancer deaths which were not associated with cigarettes. Similar calculation from the retrospective studies listed in the 1971 U.S. report "The Health Consequences of Smoking" shows that of the 2,002 female cases of lung cancer about 83 per cent were unrelated to smoking.

(Dr.) Geoffrey Myddelton.
Blue Moon,
1867 Glutières-sur-Ollon,
Vaud, Switzerland.

Recruitment quality

From Mr. B. Marchant

Sir, — Professor Tomkins (October 11) asks for a more systematic investigation of graduate quality as perceived by employers.

He might be interested in my experiences as a functional manager in a large organisation, which I hope are unique. In a three-year period I see from my records that 26 per cent of applicants were rejected because they were unable to correctly copy my company's name and address, and 13 per cent were rejected because they did not comply with the terms of the advertisement, i.e., "Tell us why we should see you."

Most of these candidates were from arts or business studies disciplines, in other words, it was not unreasonable to expect some attention to detail and some ability to communicate.

B. J. Marchant.
Sun Batch,
Draycott,
Cheddar, Somerset.

Today's Events

GENERAL

UK: House of Commons reassembles — Companies Bill (second reading); see Parliamentary Diary on Page 22.

Sir Keith Joseph, Industry Secretary, opens engineering show and conference, National Engineering Cetnre, Birmingham (until October 26).

Mr. Peter Walker, Agriculture Minister, speaks to Guild of Agricultural Journalists harvest lunch, London.

Sir John Greenborough, Confederation of British Industry president, gives opening address at productivity measurement international conference, London

TUC-Labour Party liaison committe meets to discuss policy programme, Transport House, London.

Association of University Teachers' statement on the universities contribution to the nation.

TUC finance and general purposes committee meets to discuss the Hunterston inter-union dispute, London.

Energy conservation exhibition opens at Royal Institute of British Architects, London

Overseas: Lord Trenchard, Industry Minister, visits Japan to encourage joint venturea in UK (until October 29).

Mr. Norman Lamont, Energy Parliamentary Secretary, leads delegation of British energy experts, Moscow.

European Parliament assembles, Strasbourg (until October 26).

OFFICIAL STATISTICS

Construction — new orders (August). Bricks and cement production (September). Industrial and commercial companies; appropriation account, net acquisition of financial assets and net borrowing requirement (second quarter).

COMPANY RESULTS

Final dividends: Bryant Holdings. R. Green Properties. The Highland Distilleries. London Scottish Finance Corporation. Lowland Investment Company. Pressac Holdings. Interim dividends: Bishopsgate Trust. Greenbank Industrial Holdings. London Sumatra Plantations. Mothercare. Outwich Investment Trust. Interim figures: Channel Tunnel Investments. Lawrie Plantations.

COMPANY MEETINGS

See Financial Diary on Page 22.

Guinness Peat trading well in current year

TRADING RESULTS in the broking, hanking and trading operations of the Guinness Peat Group are well ahead in the current year and the various divisions report a continuation of this level of activity, Lord Kissin, the chairman, says in his annual report.

This, and the expected return on the additional funds now available as a result of the £13.8m sale of the group's property in Gracechurch Street, is regarded as very encouraging for the trend of the group's business. The cash realised from the sale will be used in reducing group horrowings.

A policy of developing the group's overseas earnings has been pursued but it must be expected that with constantly changing exchange rates, there are bound to be distortions in the profit and loss account and the balance sheet, Lord Kissin says.

Several new members have been appointed to the Board of the banking subsidiary, Guinness Mahon and Co., as well as a recruitment of additional senior management staff. The insurance broking division has also greatly increased its management strength, says Lord Kissin.

The international projects division continues to expand and currently has several developments in hand. Some of these will be reflected in the current year results, although from the cyclical nature of this activity, there will be fluctuations from year to year.

As reported on September 20, attributable profits for the group in the year ended April 30, 1979, were down from £7.57m to £6.49m. The contribution from the banking side was maintained at £1.6m.

The balance sheet shows an increase of some £10m in investments, mainly due to the acquisition of additional shares in Linfood Holdings. In spite of this purchase and other acquisitions for cash, net current assets have improved by some £3m, due to arrangements made to convert some horrowings on to a long-term basis.

The accounts also show a £40,250 ex gratia payment to a former director. One employee during the year earned a salary in the range, £57,501 to £60,000.

The chairman plans to retire from the Board following the annual meeting and will be succeeded by the Rt. Hon. Edmund Dell. Lord Kissin has heen invited to become president of the group. Meeting, 77 London Wall, E.C., November 12 at 11.45 a.m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Bishopsgate Trust, Greenbank Industrial, Jersey Electricity, London Sumatra Plantations, Mothercare, Outwich Investment Trust.

Finals:—Bryant Holdings, R. Green Properties, Harrisons Malaysian Estates, Highland Distilleries, London Scottish Finance, Lowland Investment, Preasac.

FUTURE DATES

Interims:—

Central and Sheerwood	Oct. 25
Coats Patons	Nov. 1
Continental Union Trust	Oct. 24
Davies and Newman	Nov. 2
Guardian Investment Trust	Nov. 1
Newman Industries	Oct. 24
Press (William)	Oct. 25

Finals:—

Anglo-Scottish Invest. Trust	Nov. 15
Linread	Oct. 30
Mitchell Cotts	Nov. 1
United Real Property Trust	Oct. 31

Advance at Peters Stores

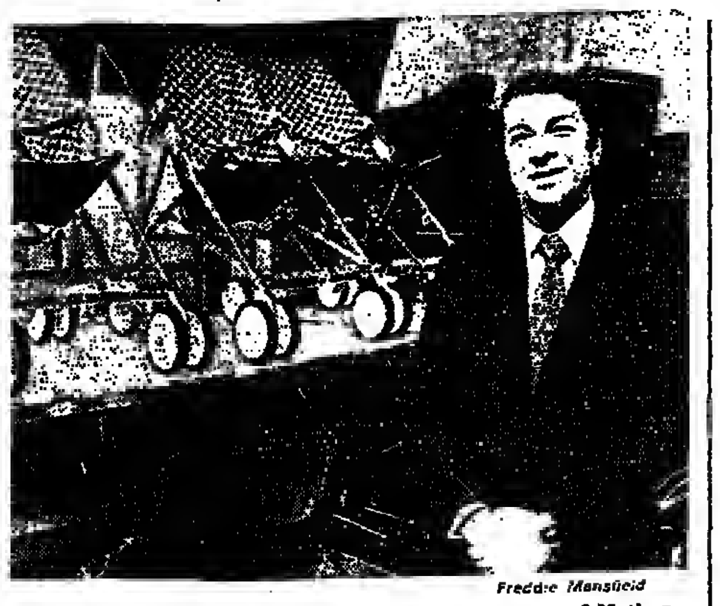
TAXABLE PROFITS of Peters Stores rose in the 53 weeks to June 30, 1979, after being hoosted by surplus on property sales. The dividend is being lifted from 2p net to 3p with a 2p final.

The pre-tax surplus rose from £435,052 in the previous 52 weeks to £573,836 on turnover ahead from £5.56m to £6.65m.

Trading profit slipped from £426,412 to £392,284 but this was before taking in a £181,552 surplus on property sales, compared with £8,640 last time.

Stated earnings per 10p share jump from 8.8p to 18.8p after a tax credit of £27,620 (£152,485 charge)—SSAP 15 adjusted.

At midway the taxahle profits were up from £384,000 to £414,000 and the directors then said that the first quarter of 1979 had heen affected hy the severe weather.



Frederic Mansfield

Mr. Selim Zilkha, chairman and managing director of Mothercare, which is today due to announce interim results.

Cantors indicates cautious optimism

CAUTIOUS OPTIMISM and hopes for continued dividend growth are indicaetd hy Mr. Cyril Cantor, the chairman of Cantors, in his annual statement.

He says that the furniture, carpets and bedding group henefited from the huying spree in the weeks prior to the VAT increase: "but it was followed hy the inevitahle hackwash from which, along with the strikes, we are now suffering."

The company hopes to achieve further improvement in profitability through its policy of modernisation and consolidation which has helped cut overheads, and £300,000 has already heen approved for this purpose in the current year.

Because of the greater variety of merchandise availahle the company is concentrating on increasing the sales area in its shops. It is also seeking to expand into towns where it is not yet represented.

For the year to April 28, 1979, taxahle profit reached £644,436 (£520,000) on sales, excluding VAT of £17m, against £15m.

At year-end hank loans were up from £1.8m to £2m and cash was lower at £432,291 (£625,969).

Additional warehouse space was taken during the year and a large shop was opened in Scotland and two small units were closed.

As reported with the results on September 11, the net dividend is effectively raised to 2.3p (2.0565p).

Meeting, Sheffield, on November 28 at noon.

John Lewis sales rise

Sales of more than £7.5m gave the John Lewis Partnership department stores their biggest percentage increase this half-year resulting in a 19.9 per cent rise on the similar week last year.

Sales in Waitrose were more than £5m, an increase of 27.7 per cent on the corresponding week last year.

Total sales at more than £13m were 23.6 per cent up on the similar week last year and for the 11 weeks to October 13 were ahead by 18.3 per cent.

Vickers grants share options

VICKERS HAS granted 880,000 options at 142½p per share including 443,000 to directors.

These were Sir Peter Matthews 120,000; Dr. B. F. Willetts 82,000; Mr. W. C. P. McKie 67,000; Mr. C. W. Foreman 59,000; Mr. K. W. Ketteringham 59,000; Mr. R. O. Taylor 56,000. The balance went to senior executives.

Lifeguard surrender values restored

Non-guaranteed surrender values on life policies issued hy Lifeguard Assurance are to be re-level, announces Mr. Victor Wood, chairman, in his statement with the report and accounts for the year to June 30.

The company ran into financial trouble four years ago and in November 1975 a £1.5m cash injection was made. It ceased to write new business from that date and reduced the level of non-guaranteed surrender values on life policies, in some cases to a nominal amount.

Mr. Wood reports that since 1975, steady progress had been recorded. The latest improvement enahled the surrender values to be on a basis comparahle to that used in 1975.

The actuarial valuation of assets and liabilities at the year end disclosed a surplus of £2.55m against £0.64m at the end of the previous year. The present terminal honus for claims during the current year is maintained at 25 per cent of premiums paid since July 1, 1978. Mr. Wood states that the company had made considerahle progress in restoring the bonus position of with-profit policyholders and he was confident of continuing that trend at the next full declaration due for the three years ending June 30, 1980.

The report and accounts for the year showed a decline in premium income from £3.25m to £2.86m and a rise in investment income from £5.22m to £5.79m. The life funds rose by £2.03m over the period to £49.59m.

Mr. Wood indicated that the Board could now start considering its discretionary responsibilities towards the £1.5m cash injection four years ago. But it was too early to formulate specific proposals.

Close Bros. 40% stake in factoring

Close Brothers the London Issuing House has subscribed £93,750 for new shares in Century Factors and has agreed to extend £250,000 overdraft facilities.

Century, hased in Yeovil, specialises in providing debt factoring services to private companies. The company was established in 1968 and, following the Close investment, will be owned as to 40 per cent hy Close, 40 per cent by Lanham and Francis, accountants in Yeovil and its environs, and 20 per cent by the founder shareholders and executives.

Century presently has advances outstanding of over £1m.

Close helieves that its investment is a logical extension of its own short-term banking activities, and that with a stronger capital hase Century will he ahle to increase its rate of expansion.

Tebbitt Group turnround at mid-way

THE EXPECTED turnround in the fortunes of the Tebbitt Group at the end of the first half of 1979 has materialised with the group reporting a profit of £425, compared with a £91,556 deficit in the same period last year.

Sales to the first six months jumped from £895,003 to £1.42m. The recovery was foreshadowed at the last annual meeting by Dr. H. Fletcher, chairman, who also expected that the recovery would continue throughout 1979.

At the end of 1978, the group, leather manufacturer and tanner incurred taxahle losses of £293,082.

The first half profit is after operating costs of £1.37m (£942,182), depreciation of £21,864, against £36,448, loan interest of £20,535 (£3,086) and extraordinary items of £632, compared with £4,843. The previous half year loss was before redundancy payments of £13,368.

The results of Heyman Construction, the latest company to be acquired in the diversification programme, have been included for the first time.

Michelin reaches £12m in first six months

IN DIFFICULT trading conditions both at home and abroad Michelin Tyre Company, the wholly owned subsidiary of Compagnie Financiere Michelin, achieved a first half 1979 pre-tax profit of £12.48m. Sales amounted to £208m.

For the previous half year profit reached £12.18m on £204m sales but the directors say that direct comparison would not be appropriate because the Nigerian company ceased to be a subsidiary in 1979 and there have been changes in accounting policy, particularly for deferred tax.

They say that revenues from exports have been further depressed by the strengthening of sterling. However due mainly to better performance by commercial and overseas offshoots, group profitability was maintained at a similar level to that seen in 1978.

The company does not anticipate any marked change for the rest of the year. The full-year total last time was down from a peak £34m in 1976 to £22m.

Operating profit for the six months to June 30, 1979, was £21.24m before £7.38m depreciation and £1.38m debenture and loan interest.

With tax taking £2.72m and £557,000 going to minorities attributable profit emerged at £9.2m.

FT Share Service

The following securities have been added to the Share Information service appearing in the Financial Times:

Lilleshall Company (Section: Industrials).

London & Continental Advertising Holdings (Paper, Printing, Advertising).

Bayer set to attack UK knitting yarns market

BY RHYS DAVID, TEXTILES CORRESPONDENT

Bayer, the German chemical and fibre group, is planning its first major assault on the UK knitwear yarns market with three new acrylic fibres, developed on the Continent.

The company, one of Europe's biggest fibre producers, has previously concentrated in the UK on household textiles and carpets, and has established a dominant position in furnishing fabrics, with its Dralon velvets.

The highly competitive knitwear market, where Courtaulds, Monsanto and Du Pont are all important acrylic suppliers, has heen avoided by Bayer, though it is a leading supplier to knitwear manufacturers in Europe and in particular in Germany and Italy.

The new move by the group comes at a time when there are signs that knitwear, after several years out of favour, is enjoying a renewed fashion appeal. It follows the development by Bayer of new acrylic types, which it hopes will enahle it to sell into the top end of the market on special characteristics rather than price.

Bayer faces strong competition from the established suppliers, however, which are also offering new fibre types. Courtaulds has recently emharked on a relaunch of its Courtelle acrylic fibre in the carpet and apparel sectors and Du Pont has heen working for some time with UK mills to develop a new range of yarns and fabrics for the leisure-wear market, which will be heavily promoted under the name, Free Time.

Bayer's hopes are being pinned very largely on its new Dunova acrylic fibre, on which development started in 1971, and which is now being introduced in the UK as "the fibre nature forgot to invent."

The fibre is claimed to have the absorbency quality of cotton, without some of the disadvantages. Its structure enahles water from the body to be absorbed and transported away. At the same time, it does not swell; it dries rapidly; is light in weight, helps retain body heat and has a soft feel.

The main market which Dunova will be seeking to penetrate are sportswear—socks, track suits, shirts and pullovers—and underwear. It will be used either in 100 per cent form, or in blends with cotton, wool, or other acrylic types, depending on the application and the need for moisture absorption.

The fibre is to be used extensively by Adidas in garments it makes as part of its contract to supply officials at next year's Olympic Games. The opportunities for improved acrylics in sportswear have significantly already been noted hy Du Pont in the U.S., which has conducted extensive trials with sports teams.

Du Pont has already won a substantial share of the sportswear market in the U.S., and is itself planning to develop its sales in this area in Europe.

Another new acrylic type being introduced into the UK by Bayer is Dralon K. This is a multi-component fibre which will be aimed mainly at the knitted outer-wear market. The fibre, again to be used either alone or in blends, is claimed to give a much more wool-like feel than other acrylics as a result of a special crimp built into it at the production stage.

Its applications will range from men's socks, where it will be used in blends with Dunova to Shetland-type knitwear.

The German group is also offering a very fine denier acrylic for the jersey knitting trade. Trials of all three developments are taking place with leading spinners in the UK.

Bayer is expecting its build-up on the apparel side in Britain to be gradual, and, according to Mr. Helge Wehmeier, no specific targets have been set.

"We have waited until we had a number of special fibres to offer before entering the market so as not to be simply another fibre producer selling regular acrylic. We will not be going for volume sales," he said.

The company will not be launching any major promotional campaign to back its entry into the market but will be concentrating on developing contacts with mills.

Survey finds high tolerance towards illegal tax evasion

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A HIGH degree of public tolerance towards illegal tax evasion is suggested by a new survey published this morning by the Institute of Economic Affairs, the independent market-oriented research body.

The survey also reveals a marked reluctance to condemn people who do not declare income received from providing personal services.

Three-fifths of the sample agreed with the view that "If people want cash rather than cheques so that they do not get taxed, then good luck to them." Nearly 70 per cent also believed it was not right that they should pay tax on what they earn in their spare time, while just over half did not see why they should declare income from personal and domestic services when they know others do not.

There were, however, marked differences in the views of various social and economic groups. Middle class respondents were much more likely than those from working class occupations to disapprove of tax evasion and to believe that spare-time earnings should be taxed.

The survey was carried out among 712 people in the autumn of 1976 by England, Grosse and Associates, the institute's consumer and market research advisers. The survey was aimed at recipients rather than providers of various domestic and personal services, such as window cleaning, decorating and home help. Payments for such services are usually made in cash and they are used frequently by all classes of people.

The institute concludes that the survey shows a degree of tolerance of tax evasion which would probably not exist for most other forms of illegal activity. It believes that respondents were tolerant of evasion because they believed that the taxation of spare time earnings was unnecessary or not right.

The survey appears as an appendix to a new collection of essays entitled "Tax Avoision." The institute argues that a striking conclusion is that stricter enforcement of the tax could not only conflict with people's moral sense but also inflict further damage on the economy.

Mr. Anthony Christopher, the general secretary of the Inland Revenue Staff Federation, calls for urgent head-on action against both avoidance and evasion, though Lord Houghton, one of his predecessors, urges caution about any extension of official powers and penalties.

Dr. Christie Davies from Reading University discusses how high tax rates push otherwise honourable people into illegal behaviour and otherwise moderate politicians into oppression.

Tax Avoision, Institute of Economic Affairs Readings 22, price £2.50 from IEA, 2 Lord North Street, London SW1P 3LB.

INTL. COMPANIES and FINANCE

Sharp increase at Indiana Standard

BY DAVID LASCELLES IN NEW YORK

STANDARD OIL of Indiana, the first of the U.S. oil majors to report third-quarter earnings, had net income of $433.8m or $2.97 per share, up 49 per cent from the $292m or $2 per share recorded in the same quarter last year. Revenues were up 23 per cent from $4.2bn to $5.1bn.

These results brought Indiana Standard's nine-month earnings to $1.2bn or $8.10 a share, up 38 per cent on last year's $859.7bn or $5.88. Revenues totalled $14.1bn compared with $12.1bn last year.

Given the controversy that surrounds oil earnings at the moment, Indiana Standard was at pains to point out that most of this sharp increase had come from foreign operations, and not from its business in the U.S.

Mr. John Swearingen, chairman, said that nearly 85 per cent of the nine-months earnings increase was due to strong performances by the company's overseas petroleum and chemical operations. By contrast, earnings from U.S. Petroleum operations advanced by only 7 per cent, which was well below average industrial earnings gains in the U.S. this year. Indiana Standard's net profit per gallon was 3.5 cents.

He commented: "The rapid escalation in refined product prices has been more than offset by sharply higher purchase costs for crude oil and finished products, reflecting spot market purchases at premium prices, and increases in operating expenses due to inflationary factors."

Looking ahead, Mr. Swearingen noted the possibility of a business recession in the U.S., complicated by uncertainties over oil supplies and prices. He also urged Congress, in considering President Carter's proposed windfall profits tax, to establish "a significant incentive to expand secure domestic petroleum supplies," and not to tax most of it away.

Battle for Ansett nears climax

BY JAMES FORTH IN SYDNEY

THE FOUR-MONTH share market contest for control of the Australian airline, transport and television group Ansett Transport Industries appears to be moving towards a climax. In the past week the price has risen from A$1.85 to a peak of A$2.55 on Thursday, though the price fell back on Friday to A$2.10.

Mr. Rupert Murdoch, head of the international media group News Ltd., is among the latest participants, and is thought to be interested in one of Ansett's television stations. Bell Group, controlled by the Perth businessman Mr. Robert Holmes a Court, which started the buying contest in June, is also still buying.

More than 70 per cent of the capital is now in the hands of a few interested parties, and the buyers are finding it difficult to flush out shares in quantity. Only 460,000 shares, or less than 1 per cent of the capital, was traded on Thursday. Mr. Holmes a Court, it was reported, had received two offers for his Ansett parcel and was considering selling. However, he released a two paragraph statement which said that he had made no decision to sell and would still seek a 30 per cent stake in Ansett.

Bell Group now holds close to 15 per cent of Ansett. The transport group, Thomas Nationwide Transport, which made an unsuccessful bid for Ansett in 1972, owns 20 per cent, but has an agreement with Ansett that it will not sell without first giving the Ansett board five days to place the shares. Ampol Petroleum also holds 20 per cent through a market raid after Bell Group began buying. But its holding was neutralised when Ansett retaliated and bought 20 per cent of Ampol.

Interests associated with Mr. Murdoch hold just on 5 per cent of the capital.

Nabisco sells German lossmaker

By Our Financial Staff

NABISCO, America's leading manufacturer of cookies and crackers, has disposed of its loss-making German subsidiary, B. Sprengel, and taken a heavy charge against third quarter earnings as a result.

At the per share level, group earnings for the third quarter are 29 per cent lower at 52 cents. The cost of selling Sprengel is put by Nabisco at 23 cents a share. If this non-recurring charge is excluded earnings are higher by 11 per cent in line with the advance shown by the group half-way through 1979.

Sprengel has been sold to Hildebrand Kakao-und-Schokoladenfabrik, a subsidiary of the Cologne-based sweetmaker, Stollwerk, which last year achieved a sales total of DM 279m. In 1978, Sprengel's sales totalled DM 220m, compared to DM 175m in 1971.

Nabisco, whose European operations centre mainly on France, Italy and the UK, has an unhappy history of trading in Germany. In 1977 the company pulled out of XOX-Nabisco at a cost of $32.8m, although the termination eventually recouped $44.3m in tax credits.

Sale at Nabisco for the third quarter of 1979 were $592m, compared with $546m a year earlier.

Alcan ahead at nine months

By Robert Gibbens in Montreal

WORLDWIDE NET income of Alcan Aluminium for the first nine months of the current financial year was 38 per cent higher at US$284.1m, despite the damaging effects of a three-month strike at the company's three northern Quebec smelters. This result gives the company earnings per share for the period of $7.02, up from $5.19 last time.

Reflecting the strike, shipments of aluminium during the latest quarter were 16 per cent lower. For the nine months, shipments edged upwards from 1.19m tons compared with 1.17m.

Montedison to cut loss

BY OUR FINANCIAL STAFF

THE MILAN-BASED chemicals concern Montedison expects to cut its loss sharply this year on the back of a strong rise in sales, according to Sig. Claudio Barro, director of corporate planning. Montedison, Italy's largest chemicals group and the eighth biggest in the world, has not made a profit since 1974, but it is felt within the industry that it could reduce its net loss for 1979 to less than half of the L256bn ($311m) deficit recorded for 1978.

Prospects for 1980 are not so good, however. The company expects the European chemicals market to decline as a result of the slower pace of economic growth, with the rate of increase in demand down from 10 per cent this year to just 4 or 5 per cent. In consequence, Montedison's target of eliminating its losses by 1980 now seems unlikely to be achieved.

The concern has not yet experienced any decline in orders. Group turnover for the first nine months rose by 26 per cent to L5,780bn, while parent company turnover, which takes in the chemical operations, jumped 36 per cent to L2,922bn.

CURRENCIES, MONEY and GOLD

Interest rates spiral up

BY COLIN MILLHAM

Poor U.S. money supply figures pushed up Eurodollar interest rates sharply on Friday morning, leading to a further weakening of the dollar for forward delivery in the foreign exchange market. The U.S. currency was quite firm in the spot and forward market around the middle of the week, but declined on Thursday returning to a forward discount against sterling, which widened further on Friday.

The higher Eurodollar rates helped to keep the spot dollar steady against the D-mark and Swiss franc however.

Most major currencies suffered from fits of nervousness last week, particularly the Japanese yen, which fell to a 19 month low against the dollar in Tokyo on Wednesday.

The Bank of Japan spent over $1bn defending the yen as selling pressure built up on the back of Japan's deteriorating balance of payments position and its vulnerability to the continued escalation in world oil prices.

By the end of the week the Japanese currency was a little stronger, partly as a reaction to persistent rumours that the authorities are about to announce a rise of 1 per cent in the discount rate. Central bank officials dismissed the market speculation, but the fact remains that inflationary pressures are making Tokyo interest rates less competitive. The discount rate has remained at 5¼ per cent since late July, while the economic situation has worsened and the U.S. discount rate has risen from 10 per cent to 12 per cent.

Rumours of other interest rate moves also increased market nerves. A suspicion that the Federal Reserve may contemplate another rise in the discount rate, was coupled with speculation about an increase in the German Bundesbank discount and lombard rates.

Any rise in German interest rates—Frankfurt interbank rates were very firm last week—is likely to increase pressure within the European Monetary System. The Belgian franc remained the weakest member, touching its lowest permitted level against the Danish krone. The only increase in interest rates of the Belgian National Bank was a rise of 0.65 per cent in one, two, and three month Treasury certificates.

GOLD

	October 19		October 18	
Gold Bullion (fine ounce)				
Close	$390-395	(£181.0-183.4)	$382-385	(£177.7-179.0)
Opening	$385-386	(£178.5-180.6)	$385-388	(£179.0-180.4)
Morning fixing	$388.75	(£180.686)	$382.00	(£177.796)
Afternoon fixing	$385.00	(£179.494)	$380.50	(£176.813)
Gold Coins				
Krugerrand	$398½-400½	(£184½-189½)	$396-398	(£179-183)
Mapleleaf	$410-420	(£193-195)	$390-400	(£180½-186)
New Sovereigns	$100½-101½	(£46-47)	$98-99	(£45½-46)
King Sovs	$111-115	(£51½-53½)	$110-113	(£51-53)
Victoria Sovs	$113½-114½	(£52½-54½)	$111-113	(£51½-53½)
Fr20 Napoleon	FFr415-430	(SFr163-167)	FFr406-419	(SFr158-163)
50 pesos Mexico	$482-495		$484-489	
100 Cor. Austria	$386-388		$375-377	
$20 Eagles	$487-492		$476-478	
$10 Eagles	$331-350		$344-349	
$5 Eagles	$223-230		$219-224	

OTHER MARKETS

Oct. 19	£	$		Note Rates
Argentina Peso	3223-3245	1485-1505	Austria	27.40-28.40
Australia Dollar	1.9340-1.9380	0.8970-0.8995	Belgium	63.80-64.80
Brazil Cruzeiro	64.55-65.99	30.11-30.57	Denmark	11.15-11.35
Finland Markka	8.14-8.16	3.7820-3.7840	France	9.05-9.15
Greek Drachma	79.545-81.457	37.00-37.19	Germany	3.83-3.93
Hong Kong Dollar	10.79-10.83	5.0150-5.0190	Italy	1,770-1,820
Iran Rial	151.5-157.0	70.25-73.25	Japan	485-497
Kuwait Dinar (KD)	0.598-0.603	0.2784-0.2787	Netherlands	4.25-4.35
Luxembourg Frc.	62.30-62.40	28.94-28.96	Norway	10.60-10.80
Malaysia Dollar	4.6715-4.6835	2.1705-2.1755	Portugal	104-110
New Zealand Dlr.	2.1289-2.1335	1.0145-1.0165	Spain	140½-144½
Saudi Arab. Riyal	7.16-7.20	3.3590-3.3640	Switzerland	3.45-3.50
Singapore Dollar	4.6550-4.6650	[illegible]	United States	2.15-2.16
Sth. African Rand	1.7740-1.7840	0.8270-0.8280	Yugoslavia	40-46

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Oct. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1465-2.1560	2.1545-2.1555	0.10-0.20c dis	-0.83	0.22-0.32dis	-0.50
Ireland†	2.0720-2.0800	2.0765-2.0785	0.40-0.10c pm	1.44	1.15-0.85 pm	1.92
Canada	1.1810-1.1820	1.1816-1.1819	0.17-0.13c pm	1.52	0.42-0.38 pm	1.35
Nethlnd.	1.9000-1.9340	1.9310-1.9330	0.90-0.80c pm	5.12	2.45-2.35 pm	4.98
Belgium	28.90-28.95	28.93-28.95	3-1c pm	0.83	7-4 pm	0.76
Denmark	5.2370-5.2385	5.2370-5.2385	1.15-1.65ore dis	-3.21	3.80-4.40dis	-3.17
W. Ger.	1.7950-1.8000	1.7960-1.7980	1.12-1.02pf pm	7.14	2.94-2.84 pm	6.43
Portugal	49.50-50.10	49.50-50.00	15-30c dis	-5.40	50-85 dis	-5.45
Spain	66.00-66.19	66.11-66.14	10-20c dis	-2.72	50-75 dis	-3.78
Italy	828.50-829.25	828.50-829.00	0.25lire pm-0.25 dis	—	2.20-2.70dis	-1.18
Norway	4.9750-4.9800	4.9785-4.9800	par-1ore dis	-1.20	par-1 dis	-0.40
France	4.2160-4.2200	4.2170-4.2190	0.95-0.80c pm	2.49	1.35-1.15 pm	1.19
Sweden	4.2270-4.2330	4.2310-4.2325	1.05-0.85ore pm	2.69	2.80-2.60 pm	2.55
Japan	230.40-232.40	230.66-230.75	1.50-1.30y pm	7.28	3.70-3.50 pm	6.24
Austria	12.93¾-12.96½	12.95-12.96	7.80-7.10gro pm	7.09	19-17.50 pm	5.63
Switz.	1.6350-1.6445	1.6425-1.6435	1.83-1.78c pm	13.19	4.90-4.85 pm	11.87

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Oct. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1465-2.1560	2.1545-2.1555	0.10-0.20c dis	-0.83	0.22-0.32dis	-0.50
Canada	2.5395-2.5450	2.5430-2.5440	0.22-0.12c pm	0.80	0.60-0.50 pm	0.86
Nethlnd.	4.25-4.30	4.29-4.30	2¼-1¼c pm	4.18	5¼-4¼ pm	4.65
Belgium	62.05-62.45	62.30-62.40	20 pm-5c dis	1.44	35-15 pm	1.28
Denmark	11.24-11.29	11.27-11.28	2¾-4¼ore dis	-3.58	9¾-11¼ dis	-3.64
Ireland	1.0340-1.0355	1.0357-1.0367	0.17-0.27p dis	-2.59	0.70-0.90dis	-3.09
W. Ger.	3.85-3.88	3.87-3.88	2¼-1¼pf pm	6.90	6¼-5¼ pm	5.91
Portugal	107.20-108.00	107.40-107.70	55-105c dis	-8.93	130-280 dis	-7.62
Spain	141.80-142.40	142.25-142.35	15-55c dis	-3.37	105-205 dis	-4.36
Italy	1,779-1,786½	1,784½-1,785½	½-2½lire dis	-1.00	6¾-8¾ dis	-1.62
Norway	10.68-10.73	10.71¾-10.72¾	par-2ore dis	-0.11	1¼-3¼ dis	-0.83
France	9.05-9.09½	9.08-9.09	1½-½c pm	1.65	1½-½ pm	0.49
Sweden	9.06½-9.12½	9.10½-9.11½	1¼ pm-¼ore dis	0.98	5-3 pm	1.75
Japan	492-502	496½-497½	3.15-2.75y pm	7.12	7.85-7.25 pm	5.96
Austria	27.75-27.95	27.88-27.93	17-7gro pm	5.16	40-30 pm	5.02
Switz.	3.50½-3.55	3.53½-3.54½	4-3c pm	11.86	10½-9½ pm	11.58

Belgian rate is for convertible francs. Financial franc 64.05-64.15c om. Six-month forward dollar 0.48-0.58c dis, 12-month 0.20-0.30c dis.

EXCHANGE CROSS RATES

Oct. 19	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lire	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.155	3.875	497.0	9.085	3.540	4.290	178.5	2.544	62.35
U.S. Dollar	0.464	1.	1.798	230.9	4.216	1.643	1.991	823.3	1.180	28.93
Deutschemark	0.258	0.556	1.	128.3	2.345	0.914	1.107	460.6	0.656	16.09
Japanese Yen 1,000	2.012	4.336	7.797	1000.	18.28	7.123	8.632	3592.	5.118	125.9
French Franc 10	1.101	2.372	4.265	547.1	10.	3.897	4.722	1965.	2.800	68.63
Swiss Franc	0.282	0.609	1.095	140.4	2.566	1.	1.212	504.2	0.719	17.61
Dutch Guilder	0.233	0.502	0.903	115.9	2.118	0.825	1.	416.1	0.593	14.53
Italian Lira 1,000	0.560	1.207	2.171	278.4	5.090	1.983	2.403	1000.	1.425	34.93
Canadian Dollar	0.393	0.847	1.523	195.4	3.572	1.392	1.687	701.8	1.	24.51
Belgian Franc 100	1.604	3.456	6.216	797.1	14.57	5.678	6.881	2863.	4.079	100

LONDON MONEY RATES

Oct. 19 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13¾-19	—	—	—	14⅛	19¼-14	—	—	—
2 days notice	—	—	13⅞-14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13¾-14	14-14⅛	—	14⅜	14⅛	13¾-13⅞	—	—	—
One month	14⅛-15[illegible]	13[illegible]-14[illegible]	14-14⅛	19¼-14⅛	14⅜	14⅜	13¾	13[illegible]	14[illegible]-14[illegible]	14⅛
Two months	14[illegible]-13[illegible]	19[illegible]-14[illegible]	—	14⅝-14⅜	14⅜	—	13⅝-13¾	13[illegible]	13[illegible]-14	14⅜
Three months	14[illegible]-13⅞	13[illegible]-14[illegible]	13⅝-19⅞	14¼-14	14⅜	14⅛	19⅝-13[illegible]	13⅝-13[illegible]	13[illegible]-14	14¼
Six months	13[illegible]-15[illegible]	15[illegible]-13[illegible]	13¼-13⅜	14-13⅝	14¼	—	—	—	13-13[illegible]	14
Nine months	15[illegible]-13[illegible]	15[illegible]-13[illegible]	—	13¾-13½	15⅞	—	—	—	—	—
One year	13¼-13[illegible]	15[illegible]-13[illegible]	13¼-19⅝	13⅝-13⅛	13¾	—	—	—	—	—
Two years	—	—	13[illegible]-19⅝	—	—	—	—	—	—	—

Local authority and finance houses seven days notice, others seven days fixed. * Long-term local authority mortgage rates nominally three years 13¾-13½ per cent; four years 13¾-13½ per cent; five years 13⅝-13⅜ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13½ per cent, four-month trade bills 14¼ per cent.

Approximate selling rate for one-month Treasury bills 13 11-64ths-13⅛ per cent; two-month 13⅜ per cent; three months 13 21-64ths-13⅞ per cent. Approximate rates for one-month bank bills 13⅞-13⅞ per cent; two-month 13⅞-13⅞ per cent and three-month 13⅞ per cent; one-month trade bills 14¼ per cent; two-month 14¼ per cent and three-month 14¼ per cent.

Finance House Base Rates (published by the Finance Houses Association) 14½ per cent from October 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills Average tender rates of discount 13.6346 per cent.

CURRENCY RATES

Oct. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0601877	0.644735
U.S. $	12	1.29511	1.38895
Canadian $	13	1.52978	1.64014
Austria Sch.	3¾	16.7717	17.9472
Belgian F.	10	37.9051	40.1592
Danish K.	11	6.78242	7.25486
D Mark	6	2.52928	2.40574
Guilder	8	2.58245	2.76357
French Fr.	9½	5.46504	5.85086
Lira	12	1073.66	1149.78
Yen	5¼	300.728	319.838
Norwgn. Kr.	7	9.44447	6.90218
Spanish Pts.	8	85.8249	91.6568
Swedish Kr.	8	5.47378	9.86779
Swiss Fr.	1	2.12722	2.27807

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
ANZ	Nov. 20	Final 11 cents
*Allied Irish Banks	Oct. 31	Int. 3.5
Assoc. Brit. Foods	Nov. 7	Sec. int. 1.7
*Bank of Ireland	Nov. 6	Int. 6.5
Beecham	Nov. 15	Int. 2.58
*Berec	Oct. 25	Int. 1.2
Brit. & Cmnwlth. Shipping	Nov. 18	Int. 4.75
Brookhouse	Nov. 23	Final 2.246
Brown Shipley	Nov. 15	Int. 9.264
Capital and Counties	Nov. 23	Int. 0.7
Cater Ryder	Nov. 7	Int. 4.104
Charter Cons.	Nov. 19	Int. 3.025
Chloride	Nov. 15	Int. 1.5
Chubb	Nov. 8	Int. 1.283
*Central and Sheerwood	Oct. 25	Int. 0.675
*Coates Bros.	Oct. 24	Int. 0.885
*Coats Patons	Nov. 1	Int. 1.296
Coral Leisure	Oct. 26	Int. 3
Courtaulds	Nov. 22	Int. 2.888
Davis (Godfrey)	Nov. 13	Int. 1.162
*Dewey Ozy	Oct. 24	Final 1.25
De La Rue	Nov. 7	Int. 3.505
Eastern Produce	Oct. 19	Int. 1.34
Ferguson Ind.	Nov. 10	Int. 3.0
*Gill and Duffus	Oct. 25	Int. 2.3
Gt. Portland Estates	Nov. 7	Int. 1.0
Hambros	Nov. 21	Int. 42.0
Harrisons and Crosfield	Nov. 13	Int. 6.5
Hays Wharf	Nov. 23	Final 4.834
Heath (C. E.)	Nov. 13	Int. 1.621
*Hepworth (J.)	Oct. 30	Final 1.82
*Highland Distilleries	Oct. 22	Final 2.224
Hill Samuel	Nov. 8	Int. 1.834
*Kwik Save	Nov. 21	Final 1.54
LWT	Nov. 15	Final 5.727
*Land Secs.	Nov. 15	Int. 1.5
London Brick	Oct. 28	Int. 1.4137
*London and Northern	Oct. 24	Int. 1.25
*Lucas Inds.	Nov. 5	Final 5.845
*Mallinson Denny Mott	Oct. 30	Int. 1.25
Minster Assets	Oct. 27	Int. 1.9
*Mothercare	Oct. 22	Int. 1.139
Nat. Bk. Aust.	Nov. 9	Final 8 cents
*Newman Inds.	Oct. 24	Int. 1.5
*Newman-Tonks	Oct. 25	Final 3.153
Peachey Property	Nov. 15	Final 1.0
Powell Duffryn	Nov. 23	Int. 3.9
*Press (Wm.)	Oct. 25	Int. 0.4675
Readicut Int.	Nov. 8	Int. 0.527
*Redland	Nov. 22	Int. 2.551
*Reed International	Oct. 30	Int. 3
Renold	Nov. 23	Int. 2.7
Rothmans Intnatl.	Nov. 23	Int. 0.8
Rothschild Inv. Tst.	Nov. 13	Int. 2.0
Sainsbury (J.)	Nov. 8	Int. 2.27
Selection Tst.	Nov. 19	Sec. int. 5.0
*Sketchley	Oct. 23	Int. 2.2
Smiths Inds.	Nov. 14	Int. 4.807
*Smith (W. H.)	Nov. 13	Int. 0.154
Tesco	Nov. 22	Int. 0.789
Tunnel	Nov. 23	Int. 4.0
Unilever	Nov. 13	Int. 5.2
Wedgwood	Nov. 17	Int. 1.75
Whitbread	Nov. 7	Int. 1.281
Wilmot Breeden	Oct. 19	Int. 1.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Broxtowe (0602 254891)	12¾	maturity	1,000	1
Broxtowe (0602 254891)	13	maturity	5,000	3-4mths.
Burnley (0282 25011)	12½	½-year	500	5-7
Gr. Manchester (061 247 3760)	12¾	½-year	1,000	2-7
Knowsley (051 548 6555)	13	½-year	1,000	1
Knowsley (051 548 6555)	12½	½-year	1,000	5-7
Poole (02013 5151)	11¾	½-year	500	3-4
Poole (02013 5151)	12	½-year	500	5
Poole (02013 5151)	12½	½-year	500	6
Poole (02013 5151)	12¾	½-year	500	7
Redbridge (01-478 3020)	12	½-year	200	4-5
Redbridge (01-478 3020)	12½	½-year	200	6-7
Sefton (051 922 4040)	12½	½-year	2,000	3-4
Wrekin (0952 505051)	12¾	½-year	1,000	4-5

CORAL INDEX: Close 466-471

INSURANCE BASE RATES

† Property Growth 13¼%
† Vanbrugh Guaranteed 12¼%
† Address shown under Insurance and Property Bond Table.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
**	F.P.	19/10	105	78	Fogarty (E.) Defd	78	−1	—	—	—	—
‡‡	F.P.	—	202	190	Seltrust A. 5op	150	−5	—	—	—	—
§§	F.P.	—	12	9½	Stewart Nairn	9½	.....	0.15	9.5	2.3	8.3

FIXED INTEREST STOCKS

Issue Price £	Amount paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
¶91	F.P.	21/8	87	82	Aurora 8¼ Conv. Cum. Pref.	85	.....
**	F.P.	21/9	107p	101p	Bradford Prop. 10½% Cum. Pref.	103½pm	.....
¶	F.P.	29/11	103	101	Eastbourne Waterworks 8% Red. Pref.	101½	.....
¶	F.P.	29/11	102¼	98¾	Essex Water 8% Red Pref. 1984	101¼	.....
**	F.P.	23/11	105p	104p	Forminster 10½% Cum. Pref.	105p	.....
98½	F.P.	18/11	99¼	98	London Trust 13¼% Deb. Stk. 2000-04	98	−¼
¶¶	F.P.	—	73½	68½	Lonrho 8% 2nd Mort. Deb. 87/92	69¼	−¼
¶¶	F.P.	—	90½	86	Do. 12¼% 2nd Mort. Deb. 85-90	88	−1½
¶¶	F.P.	—	99	99	Do. 12½% 2nd Mort. Deb. 80-85	99¼	+¼
98½	—	5/11	99¾	97½	Mucklow A. & J. 13¼% 1st. Mt. Db. 2000-05	99½	−1¼
¶	F.P.	24/8	99¼	97¾	Scot. Agricultural Sec. 13% Deb. 97-99	98¾	.....
**	F.P.	—	106	104	Startrite Eng. 11% Cum Pref.	106	+1
10p	—	7/9	103p	100p	Stenehill 10½% Cum. Prf	101pm	.....

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date		1979 High	1979 Low	Stock	Closing Price p	+ or −
110	F.P.	4/9	19/10	150	120	Bank Leumi	130	.....
A$4.50	Nil	—	—	520pm	248pm	BH Proprietary	260pm	−5
44	Nil	—	—	8pm	6pm	Francis Inds.	8pm	.....
93	F.P.	2/10	15/11	111½	97½	Hepworth Ceramics	106	−½
$M1.5	Nil	—	—	20pm	15pm	‡‡Kulim	18pm	.....
40	F.P.	28/9	28/10	50	48	Nelton	48½	.....
A95	Nil	—	—	346pm	168pm	Peko-Wallsend	216pm	−5
**	A$1.25	—	—	177	115	Seltrust Z	116	.....
45	F.P.	19/10	16/11	60	52	Wace Group	55pm	−2
500	Nil	—	—	100pm	82pm	Walter Duncan & Goodricke	82pm	−8

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	Oct. 19	Oct. 18	Oct. 17	Oct. 12	Oct. 10	Oct. 12	1279 High	1279 Low	Since Compil'n High	Since Compil'n Low
♦ Industr'ls	814.68	830.12	850.72	829.52	881.06	838.89	897.01 (5/10)	807.00 (27/2)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	78.44	79.10	79.06	78.85	78.85	79.19	86.18 (15/8)	78.44 (19/10)	—	—
Transport.	251.20	257.49	257.53	256.85	258.48	242.80	271.77 (15/8)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	101.16	102.84	102.64	102.57	102.50	105.42	109.81 (23/8)	98.51 (18/6)	163.32 (20/4/69)	10.58 (28/4/42)
Trading Vol 000's	42,820	39,880	29,850	33,360	38,000	36,810	—	—	—	—

♦ Day's high 829.12 low 812.42

Ind. div. yield %	Oct. 12	Oct. 5	Sept. 22	Year ago (aprox)
	5.85	5.54	5.66	6.92

STANDARD AND POORS

	Oct. 19	Oct. 18	Oct. 17	Oct. 16	Oct. 16	Oct. 12	1972 High	1972 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	118.77	118.00	115.71	118.49	115.78	116.95	124.49 (5/10)	107.08 (27/2)	154.64 (11/1/73)	3.52 (30/6/32)
§Composite	101.60	103.61	108.59	103.16	105.58	104.49	111.27 (5/10)	96.13 (27/2)	125.86 (11/1/73)	4.40 (1/6/32)

	Oct. 17	Oct. 10	Oct. 3	Year ago (approx)
Ind. div. yield %	5.30	5.20	4.99	4.93
Ind. P/E Ratio	7.67	7.30	8.13	8.54
Long Gov. Bond Yield	8.86	8.75	9.30	2.63

N.Y.S.E. ALL COMMON

Oct. 18	Oct. 18	Oct. 17	Oct. 16	1978 High	1978 Low
57.69	58.80	58.65	58.50	62.88 (21/9)	53.88 (27/3)

Rises and Falls

	Oct. 19	Oct. 18	Oct. 17
Issues Traded	1,908	1,868	1,949
Rises	185	732	239
Falls	1,507	689	566
Unchanged	236	433	444
New Highs	—	12	2
New Lows	—	52	75

MONTREAL	Oct. 19	Oct. 18	Oct. 17	Oct. 16	1279 High	1279 Low
Industrial	281.35	288.81	285.58	284.97	302.12 (5/10)	219.19 (2/1)
Combined	277.85	284.02	281.72	281.51	314.55 (5/10)	225.85 (2/1)
TORONTO Composite	1587.5	1638.5	1620.4	1917.3	1804.71 (5/10)	1315.0 (2/1)
JOHANNESBURG Gold	370.3	359.6	386.0	379.0	417.1 (2/10)	228.4 (17.4)
Industrial	371.7	368.9	368.2	367.5	374.5 (2/10)	270.5 (2/1)

	Oct. 12	(Previous	1879 High	1979 Low
Australia (¶)	666.65	659.58	692.63 (2/10)	545.72 (2/1)
Belgium (‖)	106.93	107.01	109.47 (6/10)	98.80 (3/1)
Denmark(**)	91.77	92.12	97.46 (25/7)	88.32 (8/1)
France (††)	94.7	94.5	107.1 (8/10)	71.5 (15/2)
Germany (‡‡)	746.0	754.5	839.6 (16/1)	719.4 (7/6)
Holland (§§)	72.8	73.1	85.9 (24/1)	71.5 (7/6)
Hong Kong (¶¶)	569.61	567.74	685.88 (3/10)	493.85 (2/1)
Italy (‖‖)	—	87.13	93.86 (4/10)	68.38 (2/1)
Japan (a)	448.40	448.74	465.28 (29/9)	435.1 (13/7)
Singapore (b)	408.55	407.81	423.56 (3/10)	346.33 (25/24)

	Oct. 19	Previous	1979 high	1979 Low
Spain (d)	98.70	98.82	111.96 (8/5)	88.70 (19/10)
Sweden (e)	340.15	348.30	401.34 (6/2)	331.31 (24/9)
Switzerld (f)	321.8	320.4	329.1 (2/5)	294.0 (3/1)

All Indices have base values of 100 except NYSE All Common—50; Standards and Poors—16 and Toronto —1,000. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiane 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
EMI	1,019,500	2⅞	−⅛
IBM	571,700	61⅞	−1
Texaco	483,300	29½	−⅛
Louisiana Land	325,200	46	−1⅛
Reliance Group	320,100	46	−1¼
Mapco	316,500	24	−¼
ITT	297,000	25⅛	−¼
Amr. Tel. & Tel.	285,400	52½	−½
Sthn. Nat. Res.	268,200	45	−½
Eastman Kodak	262,700	50	−1

NEW YORK

[illegible]

AMSTERDAM

[illegible]

OSLO

[illegible]

GERMANY ♦

[illegible]

COPENHAGEN ♦

[illegible]

JOHANNESBURG

[illegible]

Finance Rand U.S.$87½ (Discount of 27.6%)

SPAIN ▼

[illegible]

CANADA

[illegible]

STOCKHOLM

[illegible]

PARIS

[illegible]

BRAZIL

[illegible]

VIENNA

[illegible]

SWITZERLAND ♦

[illegible]

HONG KONG

Hong Kong $	Oct. 19	Oct. 12
[illegible]		
Overseas Trust Bank	4.00	3.65
Rubber Trust	0.40	‡5.40
Sime Darby	7.50	‡7.20
Swire Pacific A	8.60	8.80
Wheelock Marden A	3.60	3.075
Wheelock Maritime A	‡4.50	4.45
Winsor Industries	2.85	2.76

† Buyer. ‡ Seller. xd-Ex-dividend. xa-Ex-all.

AUSTRALIA

[illegible]

TOKYO ¶

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

MILAN

	Price Lire	+ or −	Div. Lire	Yld. %
[illegible]				
Finsider	128	+5.5	—	—
Italcementi	18,500	+450	600	3.2
Italsider	346	+4	—	—
Mediobanca	43,400	+690	1,200	2.7
Montedison	163	−4.5	—	—
Olivetti Priv	1,285	+16	—	—
Pirelli & Co	2,020	+71	140	6.9
Pirelli SpA	796	+10	80	10.1
Snia Viscosa	820	−19.5	—	—

NOTES: Overseas prices exclude S premium. Belgian dividends are after withholding tax.
♦ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
▼ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
Φ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. ♯ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n France including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. r Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. A Interim since increased.

Charterhall's surplus from financial side

A surplus of £56,151 is reported by Charterhall for the year to June 30, 1979. The figure represents the excess of income from the financial division of the group, managed by Alderman Securities, over its operational expenses for oil and mineral exploration, which are not yet contributing significantly to income, states Mr. D. G. Williams, chairman, in his annual review.

The surplus is struck before a provision of £231,997 which represents the loss over book value arising from the sale since the year end of certain oil investments. The resulting loss comes out at £175,846, against a profit last time of £16,455 after a tax credit of £15,653.

As last year, no dividend will be paid.

The chairman points out that the group now has some £2m in cash and a continuing income from its financial activities.

The group also has the prospect of a substantial cash flow from its interests in the Buchan oil field, out of which dividend payments will be made at the appropriate time, says the chairman. Further participation will be sought in suitable oil and gas ventures, he continues, sufficient to ensure full advantage can be taken of the group's technical and management expertise.

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bk.	14 %
Amro Bank	14 %
American Express Bk.	14 %
A P Bank Ltd.	14 %
Henry Ansbacher	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½%
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	15 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
English Transcont.	14 %
First Nat. Fin. Corp.	15½%
First Nat. Secs. Ltd.	15½%
■ Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	14½%
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½%
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	15 %
Security Trust Co. Ltd.	15 %
Shenley Trust	16 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

Public Works Loan Board rates

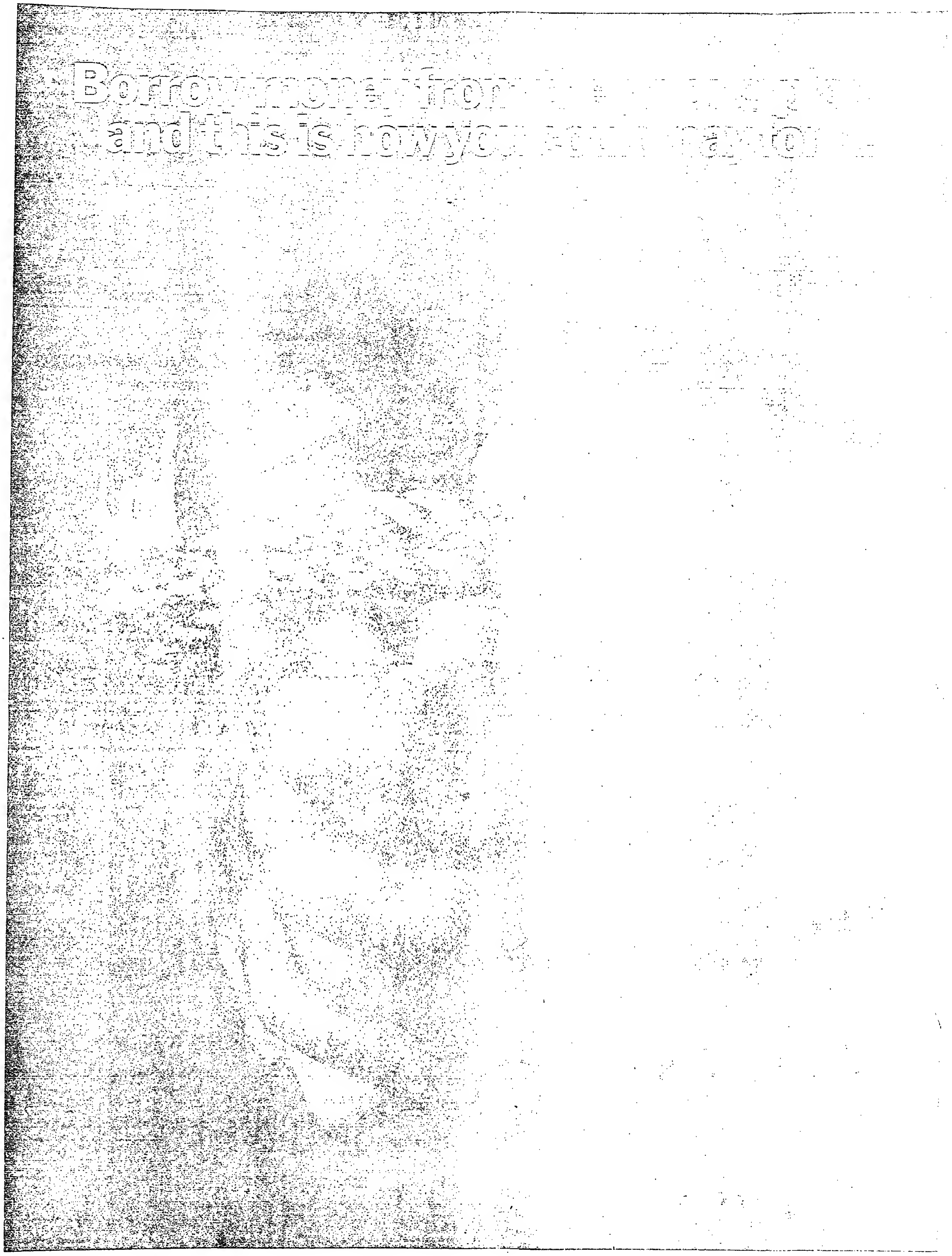
Effective from October 20.

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13⅛	13½	13	14	14	13⅞
Over 5, up to 10	13½	13½	13¼	13⅝	13⅝	13¾
Over 10, up to 15	13¼	13¾	13¼	13¾	13¾	13¾
Over 15, up to 25	13¼	13¼	13¼	13¾	13¾	13¾
Over 25	13¼	13¼	13¼	13¾	13¾	13¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

مكتبة من الأصل

Borrow money from ...
and this is how you ...



If you're running a small and healthy business, getting money to grow isn't all that difficult.

But selecting the right people to get it from is.

One minute you can be given the money that allows you the freedom to expand.

Next, your hands are tied.

Like so many things in business, it's simply a matter of knowing the right people.

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We were specially set up 34 years ago to help the small businessman with financial help.

If you can put the money to good use, we can let you have as little as £5000. Or as much as £2 million or more.

And it will be your money to run your business your way.

If you'd like to know more about how we can help you, why not give us a call.

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ICFC

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED ABERDEEN 0224 53028, BIRMINGHAM 021-236 9531, BRIGHTON 0273 24391, BRISTOL 0272 292081, ... EDINBURGH 031 226 3585 ... LEEDS 0532 30511, LEICESTER 0533 26854, LIVERPOOL 051-236 2944, LONDON 01 928 7822, MANCHESTER 061-833 9511, NEWCASTLE 0632 ...

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILÈS

Suddenly, new issues disappear

THE ONLY dollar bond on offer last week, a $35m convertible for Orient Finance, was withdrawn on Friday and none of the scheduled Deutsche-Mark foreign bonds were floated. Not since 1974—barring Christmas holidays—has the market been faced with a total absence of new paper, whether fixed rate or floating rate, in the two sectors which, in the first six months of this year, accounted for 88.7 per cent of all new issuing activity.

The market has been hit by an unfortunate combination punch. On the one hand the Volcker measures have yet to prompt investors to relieve the investment banks in the dollar sector from their misery. On the other, investors in hard currency sectors are already beginning to discount the implications of the package for the D-Mark and the Swiss franc.

Opinion is divided as to whether the worst of the storm has passed or whether the market is heading into the eye of another. Fears of a large rise in the U.S. discount rate led a number of dealers last Friday to predict the worst—a further sharp fall in straight dollar bond prices this week. All agree that the market is nowhere near having found a yield level from which it can hope to attract new institutional money.

"Underwriters the world over certainly need to hope for the comfort of future profits because losses this year must cause many houses to rethink their strategy." First Chicago's bi-monthly letter to investors went on to estimate that "straight and convertible dollar issues, which to date total $5bn in face value this year, showed a capital loss 10 days ago of $245m, $200m of which was incurred since the end of September."

This figure would have been higher but for the support of one or two convertibles such as Mitsubishi which registered a capital gain of $29m. The figures of capital loss were reached after allowances for 2½ per cent commissions was made. They suggest that few underwriters and market makers can have avoided making some losses in recent weeks.

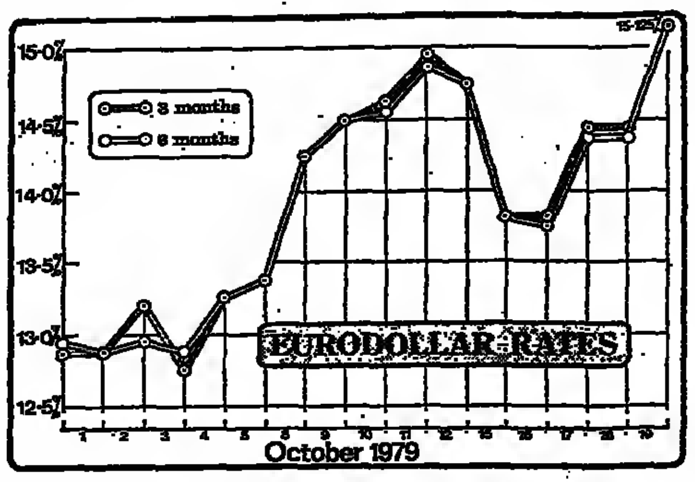
Despite their endeavours to offload bonds into the market, some bond houses still hold large amounts of paper which they were not able to place at the time of issue. As Eurodollar rates reached new peaks last Friday, it would seem to be a foregone conclusion that a further rise upwards must lead to another painful shake-out.

In the midst of such difficulties, some large market makers were claiming that only a small band of major houses remained prepared to quote bid and offer prices of the issues they normally trade: such allegations were peremptorily dismissed by many bond dealers both in London and in continental centres. But all were agreed that price quotations remained wider than usual advertised and that many dealers took longer than usual to answer their telephones. But, they insisted, the Eurobond market was still in functioning order.

Switching remains the order of the day: but it can prove difficult to switch, as buying or selling orders tend to move the price of given issues rather sharply. Opportunities do exist, but taking advantage of them separates the men from the boys.

At one point last week, to quote but one of many examples, the National Coal Board to 1981 bonds were yielding 12.72 per cent to maturity while the SNCF to 1981 bonds were yielding 13.66 per cent.

Some banks were proving even more adept at the game. They were buying bonds of up to three years maturity which were yielding ½-1 point above the equivalent maturity yield deposit rates.



New foreign bonds worth DM400m were scheduled but not one of the four expected issues in the D-Mark sector materialised. The DM225m public offering for the EEC left investors cold and was only subscribed by members of the management and underwriting group. The borrower did however bow to the inevitable and accept that the indicated coupon be increased by ¼ to 7¾ per cent. The bonds were priced at par to yield 7.875 per cent, for 15 years.

Even at that yield, the paper can hardly attract investors when the latest German domestic notes yield between 7.98 and 8.15 per cent for maturities of five to fifteen years.

Meanwhile, yields on more exotic outstanding foreign bonds, such as Brazil, can yield as much as 8.67 per cent.

The German Capital Markets Sub-Committee, which meets today to decide on the calendar of new foreign D-Mark issues for the next four weeks, will have an arduous task.

The problems of this sector nevertheless remain benign when compared with those that beset the dollar sector. Also, as the Amex Bank points out, in its monthly review, the heightened volatility of U.S. interest rates will, on risk consideration, probably encourage strength in the Deutsche Mark bond market.

The Swiss franc market is also in poor shape. A number of recent foreign bond offerings have not been covered by subscriptions. The World Bank, always loth to admit its standing is below that of any other borrower in the market, is offering investors a yield of 4.625 per cent on its SwFr 100m bond announced last week. This is nearly 20 basis points above what the City of Oslo, a borrower of lesser standing, was able to pay less than two weeks ago.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
§Orient Finance Co.	25	1994	—	7	*	Nomura (Europe)	*
††EEC	200	1999	13.02	*	*	Morgan Stanley	*
D-MARKS							
‡African Dev. Bank	100	1987	8	8	99½	DG Bank	8.044
‡**Dept. of Posts & Telecom. (g'teed S. Africa)	50	1985	6	8¼	100	BHF Bank	8.25
‡EEC	225	1994	10½	7¾	100	Deutsche Bank	7.875
FRENCH FRANCS							
Gaz de France (g'teed France)	150	1984	5	11	*	CCF, Credit Lyonnais	*
SWISS FRANCS							
‡**Autopistas Concesionaria Espanola	49.62	1985	—	5	100	Rothschild Bank AG	5.0
‡**Industrialisation Fund of Finland	10	1986	—	4⅜	100	Citicorp Int. Fin.	4.375
World Bank	100	1991	—	4⅝	100	Credit Suisse	4.625
‡**Nakamuraya	20	1985	—	4½	100	SBG	4.5
‡Ireland	50	1985	—	4¼	99¾	Bank von Ernst	4.274
‡§**Hitachi Credit Corp.	40	1985	—	4½	100	UBS	4.551
GUILDERS							
EIB	150	1985-94	10½	9	*	AmRo Bank	*
YEN							
Brazil	30bn	1989	9	8.1	99½	Nomura Securities	8.303

* Not yet priced. § Final terms. ** Placement. ‡ Floating rate note. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Postponed. Note: Yields are calculated on AIBD basis.

INTERNATIONAL LOANS

Refined Japanese curbs

BY NICHOLAS COLCHESTER

A STIFFENING of the official guidelines governing the participation of Japanese banks in syndicated international loans appears to be imminent. Japanese bankers in London confirm that the discussions with the Japanese Ministry of Finance over the past two months could lead to a statement of the new guidelines "within a couple of weeks."

The changes under consideration are refinements of existing curbs which will make their effect more rigorous. A little over a month ago the maximum proportion of any syndicated loan which could be extended by Japanese banks was reduced from around 30 per cent to around 25 per cent—with the MOF still exercising some discretion as to the "guideline" in each particular case.

This limit applied to participation by parent banks. It now appears that it will apply to the banks' participation in a loan on a consolidated basis, that is, including the participation of overseas subsidiaries to which the MOF previously turned a blind eye. This approach will require a greater degree of reporting from overseas subsidiaries than hitherto.

The other constraint on the Japanese banks, whose origin dates back to the Herstatt crisis, is that they have to fund 60 per cent of the value of loans with more than one year to run with deposits of over one year. Till now funding arrangements with year have counted towards the 60 per cent all the way to their redemption. The expected change is that they will no longer count when their remaining maturity falls below one year.

Japanese banks say that these changes are the result of the new emphasis on bank supervision which has marked recent discussions of the Euromarkets by the central banks of the major industrialised countries. They estimate that Japanese banks now have some $25bn of participations in international loans outstanding. The fact that the changed guidelines could come into force in the direct aftermath of the switch in U.S. monetary policy is seen as only a coincidence.

Nevertheless the development may well be re-inforced by the increased vigilance of other banking authorities at a time when the rise of U.S. interest rates has sharply increased the burden of debt servicing for many sovereign borrowers. The impact on individual investment banks of the savage shake-out in the dollar bond market will have to be closely monitored, and the same may well be true for the volatile price of gold. Another source of worry is the impact of the Volcker measures on smaller banks in the U.S.

Under these circumstances the Eurocurrency and syndicated loan markets remained jittery last week. Eurodollar rates were volatile and the big $1.2bn loan for Brazil was reportedly proving hard to sell. But banks and money brokers were unanimous that no overt "tiering" of Eurocurrency rates—with different deposit rates for different categories of bank—had yet developed.

● Japan has repaid half of a $1bn five-year loan made in 1974 by the Saudi Arabian Monetary Authority (SAMA) and the remaining $500m will be repaid this month, Reuter reports from Tokyo.

The loan was raised by the Japanese finance ministry and deposited with Japanese banks to help them over a shortage of Eurodollar funds following the collapse of the Herstatt bank in 1974.

The ministry tried to renew the loan, which carried interest of 10.5 per cent per annum, but was unable to reach agreement on the interest rate after a renewal.

U.S. CREDIT

BY DAVID LASCELLES

Reeling and rocking in the market

THE U.S. moves into the third week of the Fed's new credit regime with the bond and money markets still reeling, and with the near certainty of further sharp interest rate increases in the days to come.

Indeed, the fixed income securities market took a sharp dive in the closing hours of last week in anticipation of a rise in both the prime and discount rates possibly as early as today.

This pushed rates on money market instruments to dizzy heights that would have seemed inconceivable as little as a month ago, with three months Treasury bills well over 12 per cent, and long-term Treasuries edging close to 10 per cent.

In this environment, numbers have begun to lose their meaning. "It's completely unreal," is typical of the comments now coming out of trading rooms. Said one bond market analyst: "This is a new world for all of us. Even the Fed is not sure where it is all leading."

Amid all the drama, Chemical Bank announced the dismissal of its head of bond trading after it lost $8.8m on bond trading in the third quarter. Wall Street was also buzzing with reports of the huge profits and losses amassed by the investment houses since the package.

Last week's decline was not as bad as the five-point drop that came directly on the heels of the Fed move, but it was still enough to wipe more than two points off the face value of major issues. At the long end of the market, the Treasury bond of 2009 ended the week below 91, down from 93 the week before. At the short end, yields on three-month Treasury bills went through the roof, to around 12.50 per cent, a whole percentage point up on the week.

Much of the pressure is coming at the short end of the market, which was to be expected in view of the emphasis of the Fed package. But the weakness of the longer end of the market could shortly be accentuated if banks and insurance companies are forced to liquidate bond inventories to keep their finances in order.

The pace of last week's decline accelerated on Thursday when the Fed intervened quite forcefully in the Fed funds market to push rates higher. This was taken by the market as a sign of the central bank's determination to follow through on its tight money policy. Then the latest money supply figures showed one of the sharpest jumps on record. M1 was up $2.8bn to $383.2bn, and M2 rose $4.5bn to $941.9bn. Both rises were much sharper than the market had anticipated, and this contributed to the big price drop on Friday.

The market also noted that bank reserves—the new measure by which the Fed gauges the state of credit—rose sharply. According to Salomon Brothers, the average levels of non-borrowed reserves and the monetary base have grown at an annual rate of 15.5 and 12.7 per cent respectively over the latest 13-week period. "Judged by any standard," comments Salomon, this is "excessive."

Salomons also concluded that the Fed will be forced to increase the discount rate again, by perhaps another percentage point. "Not only would this be a symbol," it says. "But also, it would make this administered rate more market sensitive."

The recent strength of the economy increases the likelihood that the Fed will act.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	50	88½	88¾	−1½	−1½	12.08
Alex Howden XW 9½ 91	30	77½	79½	0	−0½	13.15
Australian Res. 9⅞ 84	30	92⅞	93⅜	−0¼	+0¼	11.55
Avco O/S Cap. 10½ 87	40	*†35	35½	−4	+5⅛	13.44
Beneficial Fin. 9¾ 87	100	90¾	91½	−0½	−1½	11.55
CECA 10¾ 91	150	87	87½	−0½	+0¼	12.90
CECA 9¾ 99	125	84	84½	+0⅛	+0½	12.17
Canadian Pacific 9½ 89	50	89⅞	90⅜	0	+0¼	11.48
Carter Hawley 9¾ 86	50	90¼	90¾	−0⅛	0	11.89
Comalco Inv. E. 10½ 91	40	91⅞	92⅜	0	−0⅛	11.49
Continental Grp. 9⅜ 86	100	92⅛	92⅝	−0¼	−0½	11.28
Dome Petroleum 10 84	50	89⅜	89⅞	−0½	−0¼	11.52
Dominion Bridge 10¼ 84	30	93⅜	93⅞	−0⅜	+0⅛	12.16
Dow Chem. O/S 9⅜ 94	200	89	89½	−0¼	−0⅛	11.14
EIB 9⅞ 99	100	89⅛	89⅝	−0¼	−1⅞	11.51
EIB 9⅞ 87	150	92¼	92¾	0	−0¼	11.89
EIB 10 89	150	90¾	91	−0⅛	−1⅛	11.50
EIB 10⅛ 87	100	93¾	94¼	−0¼	−0⅛	11.66
EIB 10.15 99	100	91½	91⅞	−0½	−2⅛	11.57
Export Dv. Cpn. 8¾ 84	100	92	92½	−0⅛	+0⅛	11.57
Export Dv. Cpn. 9⅜ 84	150	93⅜	93⅞	−0½	−0¼	11.00
Finland 9½ 88	100	88½	89	−0⅛	−0¼	12.09
Finland 9⅜ 89	100	†87	89	−0⅛	−3⅛	12.17
GTE Finance 9½ 84	50	90⅝	91¼	−0½	0	12.24
GTE Finance 9⅜ 89	55	89½	88	−0½	+0⅛	11.73
General Motors 9⅜ 89	100	90⅛	90⅝	−0¼	+0⅜	11.36
Gould Int. Fin. 9¾ 85	50	91½	92	−0⅛	0	11.81
Hoechst Fin. XW 6¾ 99	125	†73¼	74¾	0	−0⅛	11.34
Hudson Bay Co. 10 84	50	89½	90	−0⅛	+0⅛	11.47
ITT Antilles 9½ 89	75	89⅛	89⅝	−0¼	+0¼	11.41
Kennecott Int. 9½ 89	100	87½	89	−0½	+0⅜	12.29
Manitoba 9½ 89	75	88⅜	88⅞	−0½	−0⅛	11.94
Michelin 10 94	125	88	88½	−1⅞	−0¼	11.88
Nat. Des Telecm. 9½ 88	100	90¼	91¼	−0¼	−0½	11.48
New Brunswick 9¾ 94	75	86⅝	87⅛	−0⅛	−0½	11.64
Newfoundland 10 94	50	89⅝	90⅛	−0½	−0⅛	11.45
Norges Komm. 9⅞ 99	100	†89⅜	90	−0⅞	−2⅛	11.46
Norway 9½ 84	150	92⅞	93⅛	−0⅜	−0¼	11.53
Nova Scotia Pwr. 9¾ 89	50	89½	50	−0⅛	−0⅛	11.55
Occidental Fin. 10½ 84	50	†90⅛	90⅝	−0⅛	0	13.07
Orient Leasing 9½ 88	25	†87	87½	−0⅛	−1⅛	12.38
Pennwalt O/S F. 9¾ 84	25	92½	92⅞	−0½	−0⅛	11.96
Pepsico Cap. 9¼ 84	100	91⅞	92⅜	−0⅛	+0½	11.69
Quebec Hydro 10 99	75	87½	88	−0⅛	+1⅛	11.59
Redland Fin. XW 9½ 91	25	83¼	85⅜	+1¼	−0⅛	12.00
Sears Roebuck 9 82	150	92⅝	93⅛	−0½	+1⅛	12.50
Statoil 9⅞ 89	100	90⅝	91⅛	−0⅛	−0½	11.18
Stockholm 9⅜ 84	60	†91	91½	0	−1	11.27
Sweden 9⅜ 89	100	91	91½	−0⅛	0	11.27
Sweden 9½ 86	200	†91½	92	−0⅛	−1	11.55
Sweden 9⅜ 84	100	93⅝	94⅛	−0½	−1	11.45
Unilever NV 9¾ 87	100	89⅝	90⅛	−0¼	−0⅛	11.26
Warner-Lambert 9 84	100	91	91½	−0⅛	+0⅛	11.48

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 7½ 89	150	84½	85	−0½	−0½	8.31
Asian Dev. Bk. 7¼ 89	100	†95½	96	−0¼	−1½	7.88
Banco Desarrollo 7¼ 86	100	†92	92½	+0⅛	−0⅜	8.88
Barclays O'seas 6¾ 89	100	93	93½	+0⅛	−0⅛	7.77
Brazil 9 87	150	96	96½	−0⅜	−2½	8.87
CECA 7 81	150	95	96	−0⅜	−2⅛	7.88
Council of Eur. 7¼ 89	100	96⅝	97¼	−0⅛	−0⅛	7.70
Council of Eur. 7½ 88	125	†98	98½	0	0	7.76
Denmark 5¾ 85	100	†91¼	91¾	−1	−1⅛	7.76
Denmark 6½ 89	100	†93¼	93¾	−0⅛	−0¼	7.49
EIB 7½ 89	200	98½	99	−0⅛	−1⅛	7.68
Eletrobras-Brazil 7 87	150	94½	95	−1	−1½	7.97
Eurofima 6½ 89	100	96½	97	−0⅛	−0⅛	6.99
Kobe, City of 7⅛ 89	150	95⅜	95⅞	−0⅛	−1⅛	7.77
Mitsubishi Chem. 6½ 84	70	97	97½	0	−1	7.22
New Zealand 7¼ 87	200	†95¼	95¾	−0⅛	−2	7.91
Nippon Tel. & T. 7¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 6¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 6 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Petrobras 8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. Pwr. 6¾ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 6½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev. Bank 3¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 3¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNDE 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 3¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Mt. Bk. 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 4¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 4¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI Fin. NV 3¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dev. 4¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 3¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel. T. 4¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Bank 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norwegian Mort. 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 3¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pfand Ost. Lands 4 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain 4 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 4½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.9 83	30	89⅞	90⅞	−0½	−1⅛	8.58
Australia 6½ 88	20	87½	88½	−0⅛	−2	8.58
EIB 7¾ 89	12	97⅞	98⅜	+0⅛	0	8.01
Finland 5.6 83	10	90¼	91¼	−0⅛	−0⅛	8.47
Finland 9.9 88	10	88⅞	89⅞	−0⅛	−1	8.67

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	20	95½	96½	0	+0⅛	10.14
Avco Fin. 10¼ 88 C$	25	88½	89	0	−0⅛	12.85
Bell Canada 10¾ 86 C$	50	92½	93	+0⅛	0	12.36
Cr. Foncier 10½ 84 C$	30	90¼	90¾	0	−0⅛	13.14
Ex. Dev. Cpn. 10 84 C$	50	93¾	94¼	−0⅛	0	11.73
Fst. Can. Inv. 10 84 C$	50	91⅛	91⅝	+0⅛	+0⅜	12.47
Hudson Bay 10½ 89 C$	60	91⅛	91½	+0⅛	+1	12.05
Quebec 10½ 88 C$	50	90¼	91	−0½	−0⅛	12.40
R. Bk. Canada 10 89 C$	40	92⅛	92⅝	−0¼	−0⅛	11.70
R. Bk. Canada 10 94 C$	40	†86¼	86¾	−1¼	−1⅛	11.98
Copenhagen 8¼ 91 EUA	25	96½	98¼	−0¼	−0¼	8.61
Copenhagen 8¾ 91 EUA	20	103⅞	104⅞	−0⅛	+0⅛	8.16
SDR France 8½ 94 EUA	24	†102	103	+0¼	0	8.19
SOFTE 8¾ 89 EUA	40	93¾	95	−0¼	−0⅛	9.15
Algemene Bk. 8¾ 84 Fl	75	97	97½	+0¼	+0⅛	8.96
Amev 8½ 85 Fl	75	98⅛	98⅝	+0⅛	+0¼	8.82
EIB 7¾ 85 Fl	75	91⅛	92¼	0	−0¼	9.07
Ned. Middbk. 8¾ 94 Fl	75	86⅞	87½	+0⅛	−0⅛	9.11
Norway 8⅛ 84 Fl	100	98	98½	0	0	8.72
Norway 8¾ 84 Fl	100	97	97½	+0⅛	+0⅛	8.96
Air France 11 84 FFr	120	†98¼	99¼	−0¼	−0⅛	11.26
Euratom 9¾ 87 FFr	150	90⅛	91⅛	0	−0⅛	11.54
Norway 9¾ 84 FFr	200	92⅛	93⅛	0	0	11.47
PSA Peugeot 9¾ 97 FFr	175	†88½	89½	0	−0¼	12.08
Renault 9¾ 85 FFr	100	92	93	−0½	−0⅛	11.58
Saint-Gobain 9¾ 86 FFr	130	89⅜	90¼	+0⅛	+0⅛	12.10
Solvay et Cie 9¾ 87 FFr	125	89⅛	89⅝	−0⅛	−0⅛	12.00
Total Oil 9¾ 87 FFr	150	86⅝	87¾	0	−0⅛	12.05
Citicorp 10 93 £	20	85	85¾	−0⅛	+1⅞	12.25
EIB 9¾ 88 £	25	85⅛	86⅛	−0½	−0¾	12.61
EIB 11½ 91 £	25	89⅜	90⅜	−0½	0	13.20
Finance for Ind. 13 91 £	15	98¼	99	−0⅛	+0⅛	13.21
Fin. for Ind. 12½ 89 £	30	94¾	95¼	−0½	+0⅞	13.47
Gen. Elec. Co. 12½ 89 £	50	95¼	95¾	−0⅜	+1⅜	13.36
Indonesia 8¾ 81 KD	7	*†94½	95	0	0	9.50
Mitsubishi 7½ 84 KD	10	*†95¼	95¾	0	0	8.88
Norges Kom. 7½ 89 KD	12	*†93¼	93¾	0	0	8.51
Occidental 9¼ 91 KD	7	*†92½	93	0	−0⅛	9.29
Euratom 8 87 LuxFr	500	90⅞	91⅞	+0⅛	−1⅛	9.66
Norges Kom. 8 86 LuxFr	500	87½	88½	−3	−3⅛	10.46
Oslo, City of 8 88 LuxFr	500	91	92	+0⅛	−0½	9.38
Solvay Fin. 8 85 LuxFr	500	92½	93½	0	−1½	8.57

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
SNDE 6 99	0¼	*†94¾	95⅛	21/12	13.38	14.88
Banco di Roma Int. 6 97	0¼	98¼	99¼	26/10	11.15	11.30
Bco. Nac. Argent. 7 88	0¼	95¼	96¼	22/3	13.18	13.77
Banco Prov. BA 7½ 85	0¼	†97½	98	12/12	11	11.25
Banco Urquijo 6 88	0¼	97⅝	98¼	21/3	13⅛	13.67
Bque. Indo Suez 5¾ 89	0⅜	97⅞	98⅜	11/1	11	11.22
Banque Sudameris 6 87	0¼	96	96½	11/1	11⅛	11.56
BNP 5½ 91	0¼	96⅞	97⅜	22/2	11.84	12.29
Citicorp O/S Fin. 6 94	‡0¼	99⅞	99⅝	8/12	12.81	12.92
Citicorp O/S 83	‡0	99⅜	99⅞	23/11	11.88	11.95
Creditanstalt 5½ 91	‡0¼	98⅛	98⅝	14/12	12.94	13.15
GZB 5½ 89	‡0¼	98⅛	98⅝	1/11	11.44	11.63
Jugobanka 9 89	0⅜	94½	96	23/11	11⅞	12.55
LTCB Japan 5½ 89	0⅛	97⅜	98⅛	7/12	11½	11.35
Mfrs. Han. O/S 5¼ 94	‡0¼	98⅜	99¼	23/11	12.98	12.69
Nacional Fin. 6¼ 86	0⅛	96½	97	25/1	11½	11.89
Nat. West. 5¼ 94	0¼	98	98½	11/1	14.94	16.21
Nippon Cred. Bk. 6½ 88	0¼	97	97½	12/1	10¾	11.18
Offshore Mining 6½ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bank Scot. 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sogenal 5¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Heavy 6¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Int. Airways 7¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TVO Pwr. 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Overseas Bk. 6 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Williams & Glyn 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bd. E. d'Alg. 8¾ 88 SF	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.45

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktiebolag 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.22
Asahi Optical 7 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.88
Canon 6¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.99
Ciba-Geigy O/S F. 4 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.19
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.40
Esselte 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.29
Honda Motor 5½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.89
LPC International 9 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.27
Makedoncho Elec. 7 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.23
Mitsubishi Cp. 5½ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	22.30
Nippon Seiko 7¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.70
Nitto Elec. Ind. 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00
Union Bank Switz. 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.09
Fujitsu 5 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.45
Kansai Elec. 4 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	22.68
Nippon Yen. 3½ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	65.71
Sharp Cpn. 3½ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−29.89
Tokyo Elec. 3¾ 87 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.95
Tokyo Ld. Cp. 4 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75.06
Uny Co. 6¾ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	29.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.51

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Oct. 19	91.44	10.06	83.19	9.76
Oct. 12	91.96	9.50	83.86	10.51
High '79	95.75	(1/2)	89.59	(5/10)
Low '79	91.44	(19/10)	83.19	(15/10)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	1,423.8	2,155.5
Previous week	905.7	1,816.3
Other bonds		
Last week	310.6	423.9
Previous week	192.9	318.3

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co., Sumitomo Finance International; S. G. Warburg and Co; Wood Gundy.

Closing prices on October 19

Austria deal with General Motors brings criticism

BY PAUL LENDVAI IN VIENNA

THE SIGNING of an agreement with General Motors, involving the largest ever subsidies granted by Austria State for a single industrial project, is claimed by Chancellor Bruno Kreisky's Socialist Government as a major success for the country.

Although the deal has attracted criticism from the business community Chancellor Kreisky believes that the Sch. 4.5bn (£150m) project will be the first of a series of similar investments by American and other companies.

General Motors had already begun its own talks with the Austrian Government at the time of the seemingly more serious negotiations with Ford about building a large plant in Austria. The knowledge of the keen interest displayed by GM executives explained Chancellor Kreisky's statement at the time of the Ford announcement about scrapping expansion plans in Europe and also in Austria.

The Chancellor was disappointed but nevertheless hopeful that other companies, meaning General Motors, will continue their fact-finding talks. In the end, the agreement in principle was officially revealed in mid-June, and the final contract justifies the optimism displayed by Dr. Kreisky already in the spring.

The plant, to be built on the site of a former airport at Vienna-Aspern, should go on stream by 1982 with an annual capacity of 270,000 engines and with a production staff of 1,500. The Austrians hope that the U.S. concern will take up an option on a neighbouring site, which it has until 1986.

Safety clauses

Total investment safety clauses would then reach Sch 4.5bn, with the Austrian side providing Sch 1.5bn in the form of subsidies and investment grants including the provision of a site, with fully developed infrastructure, free of charge.

The final agreement also includes some important safety clauses from the Austrian point of view. General Motors must repay all subsidies and grants if by the end of 1984 production has not yet started. Furthermore, GM will have to purchase Austrian goods and services "at least" to the value of the combined grants. Two-thirds of the Sch 1.5bn will be provided by the state, and the rest by the municipality of Vienna.

Austrian Government officials claim that in addition to the 1,500 staff employed in the plant, the project, through sub-contracts for components, will also provide 5,000 more jobs. Yet some observers question the wisdom of pumping so much money into what they regard as a somewhat controversial project.

Professor Gunther Tichy, for example, listed several reasons for his criticism: 1, the plant should have been built in Styria or Carinthia where employment problems are much more acute than in the Vienna area.

The infrastructure also involves investment in the Aspern region with regard to transport of staff and the car industry can no longer be regarded as a growth sector. He finds it odd that a Socialist Government gives the largest investment grant not for a nationalised industry, nor for the communal sector or the transport system, but for a privately owned multinational.

Three other critics pointed out that no other industrial project has been promoted and helped by the Government to the extent that it spent Sch 1m for each new job created. This was mentioned, not only by the spokesmen of the small and medium-sized business enterprises, which still dominate industry and trade, but also by the directors of large companies. It is nevertheless interesting that for all the criticism, such provinces as Carinthia and Styria would very much have liked to be involved in similar projects. They still hope that GM will set up a brake-lining plant in their regions.

Meanwhile, Arbeiter Zeitung, the Government newspaper, hinted that the U.S. concern might consider the production of components in Upper Austria, near Linz, in co-operation with Voest, the nationalised steel and heavy engineering concern.

Appetites whetted

It is also stressed that the subsidy deal for GM has now whetted the appetite of other foreign investors. BMW, the German motor company which has launched in June a major joint project with the Austrian Steyr-Daimler Puch is clearly disappointed that it received only Sch 314m in outright grants.

The Steyr-BMW project involves the production of 100,000 diesel engines a year from 1982, with 80 per cent of the output to be exported, the plant will initially have a staff of 1,000. However, the German side has now raised the possibility of enlarging the project, and of starting the manufacture of petrol engines, too. The German manager told Chancellor Kreisky that such an additional project would involve "further funds to the tune of Sch 1.5bn."

Another joint venture, also initiated by Steyr, is the production of a cross-country vehicle developed jointly with Daimler Benz of West Germany. Most of the 11,000 a year output will be sold under the Mercedes badge, but in Austria, Switzerland, Yugoslavia and the Comecon countries the vehicle will be sold as a Puch.

Last summer saw also construction beginning on a Renault project at Gleisdorf in Styria employing 65 people to turn out foundry components.

The future will show whether the optimism of the Government or the criticism of Professor Tichy was justified. For the moment, Austria is faced with the problem of shrinking industrial employment and the need to find annually 40,000 new jobs in the next two to three years.

TEXTILE MACHINERY

Swiss manufacturers face brighter future

BY JOHN WICKS IN ZURICH

SWITZERLAND'S TEXTILE machinery manufacturers have long been labouring under difficult market conditions.

Relying almost wholly on its exports, the sector has suffered considerably from an unprecedented long-term appreciation of the national currency at the same time as generally sluggish demand from a user industry itself in the throes of intermittent crisis.

There are now signs of rather better days, however—even if nobody is anticipating a rapid return to the halcyon period some five years ago.

Despite the recent setbacks, Switzerland has remained one of the world's major suppliers of machines and appliances to the textile industry.

The country's tradition of highly-sophisticated mechanical engineering and the existence of an important local textile industry led to the development of a specialised production which soon became one of the most important anywhere.

A recent study prepared by the German-Swiss Chamber of Commerce puts the annual value of textile machinery manufactured in Switzerland at some SwFr 2.2bn ($1.33bn), with something like 95 per cent of this output going to foreign markets.

This means that Swiss suppliers are second only to those of the Federal Republic; figures for the latest year for which calculation has been possible put Switzerland's share of the world export market for textile machines at some 18.7 per cent in 1977.

While this stake seems to have declined since, the industry is still very much of a force to be reckoned with, especially in up-market products.

The textile-machinery field is also of considerable importance to the Swiss economy. The metals and machine-building industry as a whole is by far the largest within Switzerland's exports, and textile machines head the list—with 9.2 per cent of the industry's total shipments in calendar 1978.

Even after a shrinking of the workforce by one-fifth since 1974, over 18,500 persons are still employed in the building of textile machines in Switzerland.

Manufacturers are, however, concerned at the sinking fortunes of the branch in the past few years. From a peak of SwFr 2.03bn in 1974, exports fell off to only SwFr 1.72bn last year.

The backlog volume, in terms of the equivalent of orders on hand in months' output, slumped from 16.6 months at the end of 1974 to what the Swiss Association of Machinery Manufacturers termed a "completely unsatisfactory" 4.5 months three years later. It stayed at about the same level during last year and is now—at mid-1979—rather higher again at 5.3 months.

The "normal" rate is reckoned at being between 10 and 15 months, though, so delivery dates are still very short.

The employment situation varies substantially from company to company and at the end of this August was still said to be unsatisfactory for a number of undertakings.

Certainly, capacity utilisation rates have frequently left a good deal to be desired, since order book volumes have in many cases represented a work period below the regular output duration.

Profits have been affected not only by this fall in demand but also by the fact that currency rebates and outright price concessions have often been essential if suppliers were to remain in the highly competitive market.

The association has carried out a survey of leading producers in the field which shows that between 1974 and 1977 profits had shrunk to only one-quarter, further ground being lost last year.

On average, the Zurich-based body concludes, the industry was in the red.

Things are now looking up to some extent. Apart from the modest rise in work-on-hand volumes, figures for first-half export values in 1979 point to real progress in certain major sectors of the textile machinery sector.

For example, sales to foreign customers of weaving machines rose by 3 per cent over the corresponding 1978 period to SwFr 325m ($197m) with a simultaneous 4 per cent increase in tonnage; thus, prices did not fall to any marked extent.

In the field of spinning and twisting machinery, export values jumped by as much as 27 per cent to SwFr 73.6m ($44.6m) in the first-half, or faster than the rise in tonnage deliveries.

While shipments of some other types continued to fall—as in the case of bobbin frames and knitting machines—foreign business appears to be shaping up to some extent, and industry sources say demand is in certain instances strong enough to permit upward price adjustments.

Considerable succour has come from the decline of the Swiss franc from its all-time high last autumn and its recent relatively long period of stability.

Other factors have also played a part, particularly that of rather greater investment activity in individual fields.

The leading manufacturer Sulzer Brothers, of Winterthur, was able in August to record an order inflow "above expectations" for weaving machines.

This side of the market will, incidentally, probably benefit from the Tokyo Round reduction of the U.S. tariff on Swiss weaving machinery from 7 to 4.7 per cent.

In past years, Switzerland has been the source of almost two-thirds of all American imports of weaving machines.

The Swiss textile industry itself is expected to double its investments per workplace to something like SwFr 16,000 ($9,700) annually over the next few years.

This is necessary to rationalise production in view of shortage of skilled staff and generally high labour costs.

In fact, this will probably have no particularly important effect on overall sales of Swiss textile machinery. Apart from the only modest part played by the home market for manufacturers, imports of textile machinery — especially from neighbouring Germany — have been rising.

Machine-builders are promising themselves much more from participation at the coming ITMA '79 exhibition in Hanover, where something approaching a 100 Swiss companies will be showing their products.

The majority of these, it is claimed, will be showing new constructions and improvements on existing models.

At the same time as the industry works hard to develop export markets, there is what appears to be a growing trend to set up production facilities outside Switzerland, which the association believes will continue.

Interest is particularly marked in the U.S. market, and there is a concentration of manufacturing and servicing operations of Swiss companies in the Spartanburg/Greenville textiles area of South Carolina.

Sulzer, in building up its American presence, has just announced the acquisition of outstanding stock of textile-industry needs.

American Rieter, the subsidiary of Maschinenfabrik Rieter, has announced the opening this year of a training and test centre near Spartanburg.

There could also be an increase in co-operation projects with foreign firms, such as that disclosed last month by the Heberlein group for operating links with the German undertaking Eltex in the texturising sector, with Eltex using Heberlein's air-jet unit in its texturising machines and Heberlein selling the Eltex machines on international markets.

In the long term the industry is anything but pessimistic—though it realises the changes which will be necessary to meet new conditions.

A recent paper by Prof. H. W. Krause, of the Federal Polytechnic, on the growth of fibre processing requirements during the remainder of this century states: "Swiss textile machinery builders with their substantial research efforts, their experienced constructors and their advanced manufacturing methods, will always be able to turn up with products to ensure the future leading position of Swiss technology."

● NEWS ANALYSIS—WATER AND SEWERAGE RATES

A stream of public concern

WATER and sewerage rates have been the subject of growing public concern, particularly since local authorities relinquished the task of collecting them.

Consumers are acutely aware of the cost of the service now water authorities collect their rates directly following reorganisation in 1974 under the 1974 Water Act.

The Act streamlined the 1,600 separate water authorities, including 100 boards, in England and Wales into 10 water authorities headed by the National Water Council.

The argument over water and sewerage charges will be taken a stage further tomorrow when the council, which co-ordinates and oversees the authorities' work, publishes its annual report and accounts.

The strong tendency among the industry's critics has been to blame the reorganisation for all the subsequent ills — including higher charges for domestic users.

Certainly by removing the responsibility for sewerage from local authorities to water authorities the Government's 61 per cent contribution to local authority services through the rate support grant was withdrawn.

Effectively this meant the domestic water user was paying the full cost to the water authority for sewerage instead of the taxpayer subsidising the service through Government grants.

In addition the degree of success with which the new water authorities have coped with the problems of reorganisation has varied, as is shown in the two Price Commission reports.

The commission's report of the Thames Water Authority published last year gave the authority a relatively clean bill of health. The commission's major criticisms were confined to the questions of allowances for capital depreciation.

On the other hand the commission's report on the Welsh Water Authority, published in June, said delay in implementing the reoganisation had meant "the authority's management structure and control is not as efficient as it might have been."

The commission also said it was concerned by a growth in staff numbers and the "limited savings arising from reorganisation." As a result the commission restricted price increases sought by the authority.

If however reorganisation is no longer the full explanation of escalating domestic water and sewage charges some of the main reasons for the price increases are to be found in the 1973 Act and subsequent legislation.

The 1973 Act placed a duty on every water authority "to take such steps as will ensure that from a date not later than April 1 1981, their charges are such as not to show undue preference to, or discriminate unduly against any class of persons."

The Act also required the water authorities to "have regard for" the cost of providing services in fixing charges.

It is because of these statutory requirements, coupled with pay inflation, the need to finance the repair and replacement of often antiquated equipment and changed charge collection procedures that water and sewerage rates have risen so rapidly.

The water industry supplies almost 49m people in England and Wales at the rate of about 300 litres of drinking water a day for every man, woman and child.

Roughly one-third of all the water supplied is metered—primarily for use in industry, commerce and agriculture. The rest is unmetered and meters are thought to be too expensive to introduce generally.

Within the industry as a whole there have been two distinct trends in the billing of the domestic sector within the last two years.

Thames Water Authority, in common with some of the other water authorities, introduced direct billing for customers and two-part tariffs in 1978-79.

The two-part tariff represents a move towards a more cost-related charging base. A fixed standing charge is added to a supply charge linked to rateable value.

The result of this move was to reduce the dependence on water service charges on rateable value, which is accepted only as an approximate guide to consumption, but the best at present available, and to reduce the effective subsidy paid by industrial water users to the non-industrial customer. These changes led inevitably to higher domestic charges.

The ... Price ... Commission accepted in its investigation of Thames that direct billing seemed to be "an unavoidable step to enable the Authority to meet its statutory obligation to eliminate undue preference or discrimination."

Nevertheless, despite claims by the water authorities that direct billing would save customers' money, this has been disputed by organisations like the Reading Ratepayers' Association.

The association argued in a paper last month that, far from saving money, Thames Water Authority's decision to bill directly has added £1.7m to bills in addition to the £750,000 needed to establish the scheme.

This, argues the association, is mainly because of additional administrative and postal charges and because local authorities have been unable to make any significant savings.

Apart from the effects of pay settlements within the water industry the other main factor affecting water charges is the trend towards financing capital expenditure from internal rather than external sources.

In addition the effects of the Water Equalisation Act 1977, an attempt by the Government to even out the costs of supplying water between different authorities has also pushed up charges in the "richer" authorities.

Raise child benefits, group urges

By Our Economics Correspondent

THE GOVERNMENT is urged to announce soon an increase in child benefits to take effect in April to fulfill its election commitment to help families with children. The call comes this morning from the Child Poverty Action Group in a memorandum to the Chancellor.

The group is strongly critical of the Government for "betraying the group (families) which, in opposition, it promised to help."

In particular, the memorandum argues that the Budget has shifted resources from families with children to those without and from poor to the rich. It maintains that two-child families on average earnings or less are worse off as a result of the switch from direct to indirect taxes.

Ruth Lister, the group's director, comments that "there is still time for the Government to undo some of the damage done by its regressive Budget."

She points out that inflation will have gnawed away 44p (11 per cent) of the £4 child benefit by next month and the Treasury's own estimates of inflation suggest that it will be worth only £3 by this time next year.

"The Unequal Opportunities Budget" by Ruth Lister and Louie Burghes, published in Poverty issue 43, price 60p, from Child Poverty Action Group, 1 Macklin Street, London WC2.

Companies Bill receives second reading today

BY CHRISTINE MOIR

THE COMPANIES Bill is to receive its second reading in the House of Commons today.

Published in June, the Bill was widely regarded as non-controversial, and mainly designed to implement European Economic Community directives on company matters.

However, in recent weeks Government spokesmen have aired a number of major issues, including insider dealing and the strengthening of provisions relating to loans to directors.

Mr. Reginald Eyre, Junior Minister responsible for companies in the Department of Trade, has said that the Government accepted the need to reform company law as far as insider dealing is concerned. It was "looking closely" at ways of closing the loopholes which allowed directors to use their advance knowledge of price-sensitive events to make profits.

However, it was "difficult to frame legislation to punish the wrongdoer without obstructing the law-abiding director," he said.

City institutions share these fears. The Council for the Securities Industry has already submitted to Government the City's arguments both about the need to introduce criminal sanctions against insider dealing and about the nicety with which such legislation would need to be phrased.

Stockbrokers cautious about monetary growth slowdown

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A CAUTIOUS view of the recent slowdown in monetary growth is taken by W. Greenwell and Company, City stockbrokers, in their latest monetary bulletin.

Commenting on the figures announced on Thursday, the brokers conclude that while there has been a marked deceleration in the underlying growth of sterling M3—the broadly defined money supply—the rate may not yet have fallen below the 11 per cent upper limit of the current target range.

W. Greenwell says the narrower monetary aggregates, including notes and coin and bank current accounts, have increased very sharply.

Special and temporary factors may explain some of this buoyancy—such as the spending spree before the rise in value added tax, and the tax rebates.

The brokers also point out that the recent figures have the further worrying feature that the growth of sterling M3 is lower than that of all the other aggregates, both broader and narrower, even allowing for the probable influence of special factors.

City analysts generally have noted that bank lending to the private sector may have been artificially low in the September banking month. This was probably the result of a combination of a rise in bank acceptances held outside the banking system (not counted in the figures), a rundown in stocks during the engineering strikes, and the impact of the exceptionally high level of central government borrowing.

The week in Parliament

TODAY

COMMONS—Companies Bill, second reading.

TOMORROW

COMMONS — Resumed debate on the second reading of the Competition Bill. Motion on EEC document on State aids to steel industry.

LORDS — Law Reform (Miscellaneous Provisions) (Scotland) Bill. Debate on the 16th report of the ECC on the approximation of laws relating to construction products. Debate on the 17th report of the ECC on draft directives on the discharge of aldrin, dieldrin and endrin into the aquatic environment.

WEDNESDAY

COMMONS—Debate on public expenditure cuts.

LORDS — Debate on the serious effects of Government policies on the family. Debate on Government policy towards assisting private enterprise to encourage active participation in the regeneration of the London docklands.

THURSDAY

COMMONS — Bees Bill, second reading. Opposed private business will be taken at 7 o'clock.

LORDS—Laboratory Animals Protection Bill. Debate on need to avoid curtailment of the BBC's overseas broadcasting services.

FRIDAY

COMMONS—Charging Orders Bill, second reading. Limitation Amendment Bill, second reading.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Jas Holdings, 26, Fenchurch St., EC, 12.00

[illegible]

Mann Egerton, 5, Prince of Wales Rd., Norwich, 10.30

[illegible]

Raybeck, Savoy Hotel, Strand, WC, 12.00

BOARD MEETINGS—

Finals:

Bryant Hldgs.

Green (R.) Props

Harrisons Malaysian Ests.

Highland Distilleries

London Scottish Finance

Lowland Inv.

Interims:

Bishopsgate Tst.

Greenbank Ind.

Jersey Electricity

London Sumatra Plants.

Mothercare

Outwich Inv. Tst.

DIVIDEND & INTEREST PAYMENTS—

[illegible]

TOMORROW

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

WEDNESDAY, OCTOBER 24

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

Newman Inds.

Telephone Rentals

Trust Union

DIVIDEND & INTEREST PAYMENTS—

[illegible]

THURSDAY, OCTOBER 25

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

FRIDAY, OCTOBER 26

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

SATURDAY, OCTOBER 27

DIVIDEND & INTEREST PAYMENTS—

[illegible]

APPOINTMENTS

Mr. I. Schneider on Reliance Boards

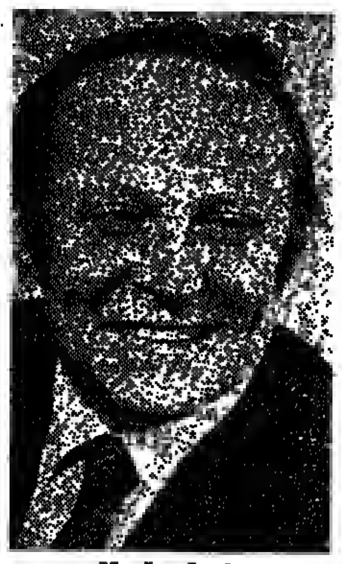
Mr. Irving Schneider, an executive vice-president of Helmsley-Spear, Inc., has been elected a member of the Board of RELIANCE GROUP INC. He has also been elected to the Boards of Reliance Insurance Company, Reliance Group's largest subsidiary, and Reliance Financial Services Corporation, a wholly owned subsidiary.

★

Mr. Paul Fletcher has been elected chairman of the executive Board of BSI. He succeeds Sir Arthur Hetherington who has retired after completing his three-year period of office. Mr. Fletcher is a past president of the Institution of Mechanical Engineers and has been a member of the BSI's executive Board for two years. He is deputy chairman of Atomic Power Constructions, a director of Nuclear Power Company and a consultant to General Electric Company.

★

Mr. Ian Irwin of the Scottish Transport Group has been elected president of the CONFEDERATION OF BRITISH ROAD PASSENGER TRANSPORT for the following year in



Mr. Ian Irwin

succession to Mr. Ian Cunningham. Mr. Robert Brook has succeeded him as a vice-president. Mr. I. S. Irwin is deputy chairman and managing director of the Scottish Transport Group which includes the Scottish Bus Group and STG shipping interests. Based in Edinburgh, he has also been chairman of the group's 20 subsidiary companies since April 1975.

★

Governors of the BRITISH BROADCASTING CORPORATION from October 20, 1979, to July 31, 1981, are: Dr. Roger William Young, as national governor for Scotland, and Mr. Alwyn Roberts as national governor for Wales. They succeed Professor Alan Eric Thompson and Dr. Glyn Tegai Hughes, who completed their terms of offices at the end of July.

★

Mr. Walter H. Page, chairman of the Board and chief executive officer of J. P. MORGAN AND CO. INC. and its subsidiary, MORGAN GUARANTY TRUST COMPANY will retire at the end of this year and will be succeeded by Mr. Lewis T. Preston, president of the holding company and the bank. Mr. Preston will be replaced as president by Mr. Robert V. Lindsay, who is now chairman of the executive committee. Mr. Dennis Weatherstone, a vice-chairman of the Board, will succeed Mr. Lindsay. The three, together with Mr. James O. Boisi, vice-chairman of the Board, will constitute the corporate office, the senior policy and planning group for the holding company of the bank.

★

Mr. Cyril A. Kyme, chairman of Winn Industries, has been appointed an executive director of LONDON AND MIDLAND INDUSTRIALS.

★

Mr. Stuart Duce has been appointed to the main Board of TATE OF LEEDS. He will be responsible for trading of the group, and the development of car and commercial vehicle sales.

★

Mr. L. R. Seymour and Mr. V. Wood have been appointed non-executive directors of the private holding company WENHAM AND WEMYSS. Until his retirement, Mr. Seymour was chairman of Hoare Govett, stockbrokers; and Mr. Wood was chief executive of Hill Samuel Broking and Consulting Services. They will be joining the company's directors, Mr. A. M. J. Wemyss and Mr. R. A. Wenham. Wenham and Wemyss is a subsidiary of the Wemyss Development Company.

Mr. Michael Hammond has joined the Board of HASLER (GREAT BRITAIN).

★

Mr. Derek Arnold has been appointed deputy chairman, WALES GAS from November 1. He joined the gas industry in 1951. From 1958 he worked in the labour relations department at North Thames and was appointed labour relations officer in 1966. Mr. Arnold has been director of personnel, South West Gas, since 1973.

★

Mr. P. L. Curnock, chairman of COURAGE (EASTERN), will be retiring on December 31 and Mr. J. W. M. Wilson, managing director, is to resign on that day to take up another senior appointment in the brewing industry. Mr. P. Matthews, at present personnel director of Courage Ltd., will become chairman and managing director of Courage (Eastern) on January 1, 1980.

★

Mr. Michael W. J. Smurfit has been elected president and chief executive officer of ALTON BOX BOARD COMPANY, succeeding Mr. Edwin J. Spiegel, Jnr., who remains chairman. Mr. Michael Smurfit is chief executive officer of the Jefferson Smurfit Group of Dublin, Ireland. Mr. Don J. Hindman and Mr. Robert A. Morris have become directors of Alton.

★

Mr. C. L. Simon has been appointed a director of ESTATES AND AGENCY HOLDINGS.

★

Mr. M. O'Brien, Mr. N. Roberts and Mr. B. T. Sawyer have been appointed directors of FRAZER MAY INTERNATIONAL.

★

Mr. W. D. Baxter has been appointed managing director of BASS BREWING (ALTON). He also becomes a director of BASS BREWING LIMITED.

★

Mr. Michael E. Birmingham, financial controller of SPHERE DRAKE (UNDERTAKING) has been appointed a director.

★

Mr. Heinz F. Roessle has been appointed group general manager, components and semiconductors, for INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (ITT) with responsibility for semiconductor operations worldwide and for components companies in Austria, Belgium, France, Germany, Italy, Scandinavia, Spain, Switzerland, The Netherlands and the United Kingdom.

CONTRACTS

Simon-Croftshaw lands £7m orders from U.S.

Contracts worth £7m for solvent recovery plants have been placed by three American companies with SIMON-CROFTSHAW, a subsidiary of Simon Engineering. Two of the four plants to be built, valued at £3.3m, are for R. R. Donnelly and Sons and will be installed at Spartanburg, South Carolina, and Lancaster, Pennsyvania. The other two plants are for video magnetic tape producer Ampex Corporation, of Redwood City, Alabama (£3.2m), and Providence Gravure, of Virginia (£500,000).

★

The Post Office has awarded PLESSEY CONTROLS a contract worth £5m for automatic letter-sorting equipment which translates the post code written on letters into phosphor dot patterns that can be recognised by automatic readers. Sorting machines can determine the destination of each letter so that the postman's delivery bag can be filled directly by the machines. Delivery of these machines, which begins early next year, will complete a nationwide network of automatic sorting offices.

★

Three of the six diesel generating sets which provide power for the radar station at RAF Boulmer, Northumberland, are to be replaced by the Government's Property Services Agency at a cost of about £900,000. PSA has placed a contracts worth about £2.5m with MIRRLEES BLACKSTONE (STOCKPORT) in Cheshire for nine generator sets. The other six will go to RAF Neatishead in Norfolk and RAF Staxton Wold in Yorkshire.

★

Glazing contracts worth more than £550,000 have been awarded to branches within the southern division of JAMES CLARK AND EATON. Largest single order, worth over £80,000, is for repairs and maintenance work for HMS Daedalus at Lee-on-Solent.

★

FOUNDRY EQUIPMENT INTERNATIONAL, a member company of the Aurora Group, Sheffield, has received a contract from the Crown Agents, London, value £386,500, for a complete foundry plant to be installed in the Dar-es-Salaam workshops of Tanzania Railways; financed through a UK grant to Tanzania by the Overseas Development Administration.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Oct. 22—Nov. 2 ...	Energy Conservation Materials and Applications Exhibition (01-637 1022)	Building Centre, London
Oct. 22—25	Highland Trade Fair (0463 34171)	Aviemore Centre
Oct. 22—26	Design Engineering Show and Conference (01-995 4806)	Nat. Exbn. Centre, B'ham.
Oct. 22—26	International Plant Engineering and Maintenance Exhibition and Conference (01-995 4806)	Nat. Exbn. Centre, B'ham.
Oct. 23—Nov. 1 ..	International Business Show (01-405 6233)	Nat. Exbn. Centre, B'ham.
Oct. 23—25	Northern Counties Engineering Exhibition (0905 24365)	Leeds
Oct. 23—25	Plant Hire Exhibition (0273 292156)	Bristol
Oct. 23—Nov. 1 ..	International Business Show (01-405 6233)	Nat. Exbn. Centre, B'ham.
Oct. 25—26	Management Service & Equipment Exhibition (0277 74290)	Harrogate
Oct. 27—29	Road Haulage Association Exhibition (01-387 9711)	Brighton
Oct. 30—Nov. 2 ..	Fashion Fabric Exhibition (01-385 1200)	Olympia
Oct. 30—Nov. 4 ..	Kensington Antiques Fair (04868 22562)	Kensington Town Hall
Nov. 4—7	The Camping Trade Exhibition (0634 221299)	Harrogate
Nov. 7—8	Bristol Contract Flooring Exhibition (01-236 0911)	Holiday Inn, Bristol
Nov. 13—15	The All-Business Show (0582 23475)	Dunstable
Dec. 3—7	Royal Smithfield Show (01-235 7000)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Oct. 22—25	Middle East Materials Handling Show and Conference (01-486 1951)	Bahrain
Oct. 23—27	Electrical Engineering Exhibition (01-540 1101)	Berlin
Oct. 25—28	Weapon and Antiques Fair	Dortmund
Oct. 25—29	Educational Material Exhibition (01-540 1101)	Copenhagen
Oct. 25—28	International Shopfitting and Trade Equipment Exhibition (01-439 3964)	Paris
Oct. 27—28	International Collectors Fair (01-540 1101)	Berlin
Oct. 27—31	International Fashion Trade Fair (01-409 0956)	Dusseldorf
Oct. 27—Nov. 4 ..	Exhibition of Household Equipment, Caravan, Radio and TV	Bordeaux
Oct. 27—Nov. 11 .	Autumn Market	Basle
Oct. 30—Nov. 3 ..	Office Equipment Exhibition (01-734 0543)	Frankfurt
Oct. 31—Nov. 11 .	Do-It-Yourself Exhibition	Paris
Nov. 1—13	Motor Show (01-734 9678)	Tokyo
Nov. 2—6	BMA Medical and Pharmaceutical Exhibition (01-635 5200)	Hong Kong
Nov. 3—11	Spanish Atlantic Trade Fair	Las Palmas, Canary Islands
Nov. 6—10	International Exhibition for Electronics Production (01-486 1951)	Munich
Nov. 6—8	British Columbia Business Show (01-540 1101)	Vancouver
Nov. 7—8	Resins and Pigments Exhibition (0737 68611)	Copenhagen
Nov. 9—13	"Banque '79" Exhibition at Banking Congress	Luxembourg
Nov. 16—21	Heating, Refrigeration and Air Conditioning Technology Exbn. INTERCLIMA/EXPOCLIMA (01-439 3964)	Paris
Nov. 18—22	International Maritime Exhibition—EUROPORT	Rotterdam

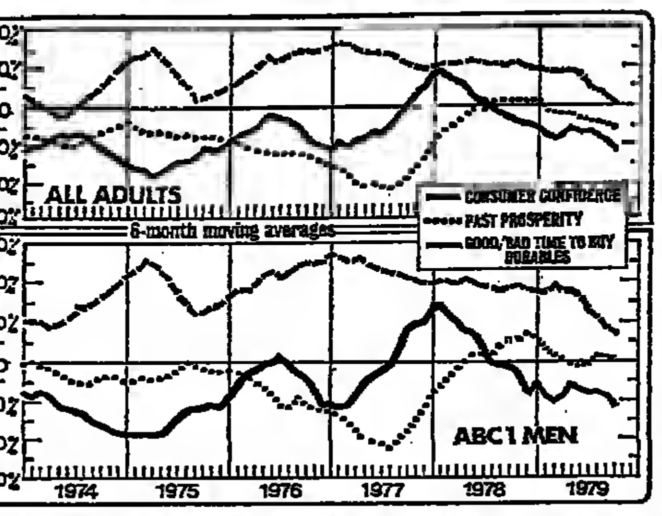
BUSINESS AND MANAGEMENT CONFERENCES

Current	FT City Course (01-236 4382) (until Dec. 13)	City University Business Sch.
Oct. 21—26	University of Bradford Management Centre: Industrial Marketing Management (Bradford 42299)	Heaton Mount, Bradford
Oct. 22	Oyez—IBC: Piercing the Corporate Veil—the latest law and the future law (01-242 2481)	Europa Hotel, W1
Oct. 22—24	British Council of Productivity Associations: Productivity Measurement—The Challenge of the 80s (01-405 1023)	Strand Palace Hotel, WC2
Nov. 8	Oyez/IBC: Dealing with the Press, Radio and Television—Know Your Legal Rights (01-242 2481)	Royal Lancaster Hotel, W2
Nov. 8	Industrial Marketing Research Assoc.: Chemicals For Lubricants and Functional Fluids (Lichfield 23448)	Cafe Royal, W1
Nov. 8	IPS: Office Services (0990 23711)	Europa Hotel, W1
Oct. 23	The London Chamber of Commerce: Joint Ventures in the U.S. (01-248 4444)	Cannon Street, EC4
Oct. 23	Staniland Hall Associates: UK Economic Prospects over the next five years (01-359 6054)	Hilton Hotel, W1
Oct. 23—24	FT Conference: World Conference on Energy and Industry (01-236 4382)	Dusseldorf
Oct. 24	Periodical Publishers Association: Workshop (01-836 7111)	Howard Hotel, WC2
Oct. 28—31	National Retail Merchants Association US: Annual International Retailer's Symposium on Loss Prevention (01-493 8000)	Hilton Hotel, W1
Oct. 31	Seminars International: "Multi-choice" International Finance Conference (01-734 7112)	Cafe Royal, W1
Nov. 1	CCC: Liability for Workplace Hazards (01-222 6362)	Europa Hotel, W1
Nov. 2—4	The British Production and Inventory Control Society: European Technical Conference	Metropole Hotel, B'ham.
Nov. 5—6	Management Centre Europe: Donald A Sebon on Innovation and New Business Development	Geneva
Nov. 5—9	Crown Eagle Communications: Concentrated Course in U.S. Government Contracts (01-636 0617)	Holiday Inn, Swiss Cottage
Nov. 6	Executant Conferences: Justifying and Selecting Automatic Test Equipment (0494 33171)	Hotel Russell, WC1

FT SURVEY OF CONSUMER CONFIDENCE

Index shows pessimism over prices is growing

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT



CONSUMERS' CONCERN over the rising rate of retail price inflation has led to a further slight fall in the Financial Times index of consumer confidence which has remained at a low level since the June Budget.

The October index of future confidence was minus 33 per cent, compared with minus 32 per cent in September.

In October, the number of consumers expecting conditions to improve totalled 14 per cent of the survey — the same as in September — while those expecting conditions to worsen increased by 1 per cent to 47 per cent.

In May, after the general election, the index stood at plus 9 per cent but dropped sharply to minus 29 per cent following the June Budget.

The continuing low level of confidence means that the six-monthly index—which reflects longer-term trends than the monthly index—has dropped from minus 19 per cent to minus 24 per cent. This is the lowest six-monthly figure since the middle of 1975.

The October index also suggests that while the Budget may have triggered off a loss of consumer confidence, its persistence since then suggests that the reasons for depression are more widespread.

According to the latest survey, rising prices was the main reason for pessimism. This was cited by 38 per cent of the pessimists, compared with 34 per cent last month.

Just over a quarter gave strikes as the main reason for pessimism, the same figure as last month when the reason came into prominence as a result of the engineering and ITV disputes.

A fifth of those surveyed, believe that the Government is pursuing the wrong policies, while 14 per cent believe that the worsening trend is itself a reason for pessimism.

Some 10 per cent think that unemployment is the key issue, although this was cited by fewer people this month than in September.

Rather nebulous

Those consumers who are optimistic about the future gave as their main reason the rather nebulous factor that as conditions could not get any worse they must improve in future. This was cited by 51 per cent of optimistic consumers surveyed, compared with 57 per cent last month.

The next largest reason for optimism was given as the Government adopting the right policies, cited by 35 per cent of the survey which was slightly more than last month.

About 7 per cent suggested that the strike position would soon improve, while only 4 per cent gave the fact that people would be receiving more money as a reason for optimism.

With the tax rebates coming through this month, it was expected that this reason would be a major factor for confidence.

Analysis of the survey by social sub-groups (men and women professional and executive, and men and women manual workers) shows a consistent trend.

Overall, the pattern is almost exactly the same as last month with ABC1 women (professional and executive) remaining the least pessimistic.

The six-monthly averages of all sub-groups continue to decline, however, and the ABC1 men's average of minus 23 per cent has now reached the same depths as 1975.

The age-group analysis also shows no major changes, with each of the three age groups (under 34, between 35 and 54, and over 55) almost equal in their pessimism. In May the over 55s were significantly more confident than the under 34s.

Regional differences show increased confidence in Wales and the Midlands, counterbalanced by reduced confidence in London and the South East.

In Scotland, the North-East and North-West there was little change from the generally pessimistic levels of recent months.

Although the impact of tax cuts may have done little to increase consumers' confidence in the future, it appears to have helped a slight fall in the index showing whether families consider themselves better off than a year ago.

The October index showed that 26 per cent felt better off, while 38 per cent felt worse off, giving an index of minus 12 per cent. Last month it was minus 19 per cent.

However, this still remains a low index compared to the averages over the past two years and the six-monthly average continues the decline which has continued throughout the year.

The tax rebates have, however, stimulated consumer demand to buy consumer durables at present, although this may also reflect the fact that fear of rising prices makes it appear more sensible to buy large items now.

The survey showed that 42 per cent thought it a good time to buy consumer durables, while 31 per cent felt it was a bad time.

This gives an index of plus 11 per cent, compared with plus 4 per cent last month.

In July the index stood at minus 17 per cent, and the six-monthly index continues to decline at plus 1 per cent.

In the separate question on unemployment, the survey showed a slight increase in concern over unemployment.

Some 48 per cent expected unemployment to increase, while 11 per cent thought it would fall. This gives an index of plus 37 per cent, up from 34 per cent last month.

The Financial Times survey of consumer confidence was carried out between October 4 and 10 by the British Market Research Bureau on behalf of the Financial Times. A sample of 1,066 adults was interviewed.

INSURANCE

Brokers and claims for uninsured loss

BY OUR INSURANCE CORRESPONDENT

DAS Legal Expenses Insurance announced that it had achieved £1m of annual premium after some 4½ years in business. Four-fifths of this income is derived from commercial policy-holders, and only a fifth from individual family and motoring policy-holders, who form the backbone of the multi-million pound European legal expenses insurance market.

Here in Britain the majority of motorists have never felt the same need to have legal expenses cover as have the West Germans, French and Italians.

To effect uninsured loss recoveries they have been able to rely on the services of motoring organisations, perhaps of their trade unions, and certainly of their insurance brokers. Over the years, in most instances they have been able to enjoy those services at little or no personal expense.

Nowadays it is increasingly difficult to find any commercial, non-charitable organisation to provide free service; and in recent years more and more insurance brokers have declared themselves ready to handle motoring uninsured loss claims only on payment of a fee commensurate with the work involved, both as regards volume and expertise.

Recently there has been a great deal of correspondence on this subject in the *Brokers' Monthly*, culminating in publication in the October issue of an official statement by the assistant secretary of the British Insurance Brokers' Association following consideration by its motor committee.

Mrs. Bondi of the association writes: "It is our belief that handling an uninsured loss claim is outside the scope of the normal activity undertaken by the insurance brokers and calls for special skills.

"It is considered that they are not remunerated for the service from normal commission, and it would seem therefore that it is perfectly justified for insurance brokers to make a charge for the service provided, if they wish to do so."

She then discusses charges, making clear that it is not possible, because of restrictive trade practices legislation, to recommend a scale of charges.

But charges should be "realistic," which I take it must mean they should reflect both the amount of work done and the difficulty of the negotiation. The positive recommendation is made that there should be no charge for unsuccessful negotiations for recoveries, and this might have two consequences.

One is that the broker will make a quick assessment of chances of success, and if not optimistic send his client away rather than incur irrecoverable expense. The other is that, reckoning on a percentage of failures, the broker will charge his successful clients more than is required, but any steps down this latter road could perhaps lead the broker into a contingent fee bargain of the kind struck between American lawyers and their clients.

It might perhaps be arguable that motor insurers should have no interest in the financial arrangements that brokers make with their motoring clients over uninsured loss recoveries, but the brokers' association statement puts motor insurers in the firing line by declaring that "brokers' charges are a justifiable claim against a third party insurer. . . . they are part of the cost as much as solicitors' charges qualify."

The last six words I have quoted are all-important. In the vast majority of small claims, in the £100 or so range, claimants cannot now expect their solicitors to recover any costs from third party insurers; and in larger claims, solicitors are rarely able to recover more than a percentage of their costs—there are strict legal rules about taxation of costs in the event of litigation, and these rules affect the amount recoverable for out-of-court settlements.

So my guess is that insurers' claims staffs, faced with demands by brokers for uninsured loss claims-handling expenses, will say that what is good for solicitors must be equally good for brokers, and that brokers cannot be put in a more favourable position.

The association doubtless has thought this argument through, and maybe has anticipated insurers' response. it asks its members to keep it advised of all cases where the insurer accepts or declines to pay charges; implicit in this is the intention at least to remonstrate with insurers who refuse.

In any event, the scene seems to be set for a long drawn out argument between brokers and insurers.

CONTRACTS AND TENDERS

AUTORITE DE DEVELOPPEMENT INTEGRE DE LA REGION DU LIPTAKO-GOURMA

AVIS D'APPEL D'OFFRES INTERNATIONAL

L'Autorité de Dévelopment Intégré de la Région du LIPTAKO-GOURMA lance un Appel d'Offres International en vue du recrutement d'un Consultant dans le cadre de l'exécution d'un grand project régional de Télécommunications intéressant les trois (3) pays-membres du LIPTAKO-GOURMA (Haute-Volta, Mali, Niger).

Le financement de ce projet est assuré par les Etats-Membres de l'Autorité et la BANQUE AFRICAINE DE DEVELOPPEMENT (B.A.D.) en association avec le NIGERIAN TRUST FUND (N.T.F.).

Les Prestations Incombant au Consultant sont les Suivants:

a) Assister le Comité Technique du projet dans:
- La mise à jour des documents d'appel d'offres
- la préparation de l'avis d'appel d'offres
- le dépouillement des offres ainsi que leur jugement
- le contrôle de la formation et toute recommandation pour améliorer les résultats.

b) Assurer:
- le suivi des travaux
- la réception provisoire des bâtiments et des installations techniques
- la réception définitive des installations.

Dossier d'Appel d'Offres:

Le dossier sera retiré auprès de la Direction Générale de l'Autorité du LIPTAKO-GOURMA contre remise d'une somme de CENT MILLE (100 000) FRANCS CFA.

Remise des Offres:

Cinq (5) exemplaires des offres en langue française sous enveloppe fermée portant l'indication suivante:

"Offre pour l'assistance du Comité dans l'exécution technique et financière du projet de Télécommunications" doivent parvenir à l'adresse cidessous:

DIRECTION GENERALE DE L'AUTORITE DU LIPTAKO-GOURMA — B.P. 619;
OUAGADOUGOU, REPUBLIQUE DE HAUTE-VOLTA
Téléphone: 345-62 - Télex: 52-47 UV

La clôture des offres est fixée au 14 décembre 1979 à 18 heures précises, délai de rigueur.

CEYLON SHIPPING CORPORATION TENDER NOTICE FOR THE SUPPLY OF SHIPS

Reference Notice calling for Tenders for the supply of ships, it has now been decided that the last date for obtaining Tender Documents should be extended to 16.00 hours on 31st October, 1979.

The Chairman
Ceylon Shipping Corporation
6, Sir Baron Jayatilaka Mawatha
Colombo 1, Sri Lanka
Telex: 1165 and 1205 CBO Cables: Ceylonship CBO

BOND DRAWING

***ELECTRIC AND MUSICAL INDUSTRIES LIMITED**
U.S.$15,000,000 6¾ per cent Loan 1982

DRAWING OF BONDS

The undermentioned Bonds of the above Loan amounting to U.S.$137,000 were Drawn on 8th October 1979 at the office of LAZARD BROTHERS & CO., LIMITED in the City of London by Mr. Richard Graham Rosser of the firm of De Pinna, Scorers & John Venn, Public Notaries of 101 Salisbury House, London Wall, London EC2M 5UP.

BONDS OF U.S.$1,000 EACH

203	413	716	943	1270	1350	1466	1554	1709	1911
2286	2410	2557	2596	2614	2741	3073	3129	3329	3481
4086	4542	4590	5199	6745	6052	6151	6366	6529	6675
6690	6750	6822	6665	7051	7322	7341	7401	7476	7599
7645	7691	7787	7856	7941	8521	8757	8996	9167	9327
9340	9361	9439	9480	9549	9641	9802	10022	10121	10165
10174	10273	10370	10432	10490	10583	10726	10826	11083	11152
11330	11358	11405	11473	11538	11614	11700	11805	11836	11871
11918	12092	12124	12179	12221	12276	12318	12383	12415	12453
12528	12562	12600	12667	12718	12755	12833	12904	12923	12961
13027	13052	13077	13111	13143	13170	13234	13280	13382	13462
13499	13578	13592	13675	13752	13808	13918	13965	13990	14024
14049	14068	14095	14384	14408	14510	14584	14637	14709	14728
14753	14763	14792	14834	14877	14951	14999			

The said Bonds are due to be repaid at their nominal value on or after 15th November 1979 at the Paying Agents listed on the Bonds. Interest will cease to accrue on 15th November 1979. Bonds must have Coupons 12, 13, 14 and 15 attached when presented for payment, failing which the amount of any missing unmatured coupons will be deducted from the sum due for payment.

The face amount of the Bonds outstanding after the above-mentioned Drawing will be U.S.$4,500,000.

**Now EMI Limited*

COMPANY NOTICES

NOTICE OF RATE OF INTEREST

Union Bank of Finland Ltd.
(Incorporated in Finland with limited liability)

US $30,000,000

Floating Rate Capital Notes due 1982

In accordance with the provisions of the Agency Agreement between Union Bank of Finland Ltd., and Citibank, N.A., dated as of 20 April, 1977, notice is hereby given that the Rate of Interest has been fixed at 14⅛% and that the interest payable on the relevant Interest Payment Date 22 April, 1980 against Coupon No. 6 will be US $74.98 and has been computed on the actual number of days elapsed (183) divided by 360.

By: Citibank, N.A., London
Agent Bank

22 October, 1979

CAISSE CENTRALE DE COOPERATION ECONOMIQUE
PUBLIC CORPORATION
Budget: FRF 200,000,000.
OFFICE: 233, Boulevard Saint-Germain PARIS (7ème)

USD.15,000,000
represented by
7,500 Bonds 10¼% 1974-1980
7,500 Bonds 10¼% 1974-1982
with an optional redemption as of November 15, 1979.

1) The 18 Bonds, Series A and B, bearing the numbers 7311 to 7328 have been presented for the optional redemption fixed as of November 15, 1979. The Bonds will be redeemed at USD 2,000.
2) The 7,482 Bonds of the Series B drawn by ot on October 10, 1979 will be redeemed at USD1,000 on and after November 15, 1980. The redemption of 7,482 Bonds of the Series A will take place on November 15, 1982.

The principal and interest will be payable with FRENCH AMERICAN BANKING CORPORATION à NEW YORK and at the offices of the following establishments:
—BANQUE NATIONALE DE PARIS, PARIS.
—BANQUE COMMERCIALE S.A., LUXEMBOURG.
—BANQUE BRUXELLES LAMBERT, BRUXELLES.

THE GREAT NORTHERN TELEGRAPH COMPANY LIMITED
(Incorporated under the Laws of Denmark)

Hambros Bank Limited hereby gives notice that Authorised Depositaries failing to apply by 31st October 1979 for shares issued by way of capitalisation will have to contact the Company direct at its Head Office, 28 Kongens Nytorv, DK-1016, Copenhagen K, Denmark.

22nd October, 1979.

PUBLIC NOTICES

SHELL INTERNATIONAL FINANCE NV
U.S. DOLLAR 50,000,000
6½% LOAN 1979
FINAL REDEMPTION

Shell International Finance NV announces that for the redemption period ending on 16th November 1979 it has purchased and cancelled bonds of the above loan for U.S. Dollar 200,000 nominal capital and tendered them to the trustee.

Notice is accordingly hereby given that all the outstanding bonds of this loan, amounting to U.S. Dollar 7,710,000 nominal capital, will be redeemed at par on 16th November 1979, from which date all interest thereon will cease.

These bonds may be presented at the offices of the paying agents (set out on the reverse of the coupon) in the manner specified in Condition 6 of the Terms and Conditions of the loan printed on the face of the Bonds, for repayment of the principal and for payment of interest due against Coupon No. 12 dated 16th November 1979.

Principal Paying Agent
N. M. ROTHSCHILD & SONS LIMITED
New Court,
St. Swithin's Lane,
London EC4P 4DU.
22nd October, 1979.

THE BUCKINGHAMSHIRE COUNTY COUNCIL

Announce that the interest rate on their Variable Rate Redeemable Stock 1982 for the period 21st October 1979 to 21st April 1980 is 7.3125, being equal to ¼% per annum above the average six month sterling Deposit rate offered on or about 10.0 am on the 10th October 1979.

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floor shows. 189, Regent St. 734 0557.

TRAVEL

GENEVA, Basle, Zurich and Berne widest range of cheap flights from 4 UK airports. Brochure FALCON, 01-351 2101. Telex 919075 ATOL 1698.

ART GALLERIES

GARGOYLE, 69, Dean Street, London, W1. NEW STRIPTEASE FLOORSHOW "AS YOU LIKE IT" 11-3.30 am. Shows at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455.

FIELDBORNE GALLERIES, 63, Queens Grove, St. John's Wood, NW8. 586 3600. JOHN BRATBY—LANDSCAPES.

ANTHONY d'OFFAY, 9 Dering St., New Bond St. Camden Town Group. PAINTINGS OF LONDON. Mon.-Fri. 10-6; Sats. 10-1. Till 10 Nov.

MALL GALLERIES, The Mall, SW1. INVERESK'S "ARTISTS IN WATER-COLOUR." Exhibition of Winning Paintings from the 1979 Competition. Open daily 10-5, Sat. 10-1. Until 30 Oct.

SANDFORD GALLERY, COVENT GARDEN, 1, Mercer St., Long Acre, WC2. 379 6005. Mon.-Sat. 11-6. THE JUG IN ART. Paintings of Still Life. Including Sculptures for interiors.

CHRISTOPHER WOOD, 15, Motcomb St., SW1. 235 9141. Autumn Exhibition Fine Victorian Paintings, Drawings and Watercolours. Weekdays 9.30-5.30.

BROWSE & DARBY LTD., 19 Cork St., W.1. MATTHEW SMITH CENTENARY EXHIBITION. Till 3rd November.

MARLBOROUGH, 6, Albemarle St., W.1. Recent paintings by TAMAYO. Mon.-Fri. 10-5.30. Sat. 10-12.30. 3-27 Oct.

REDFERN GALLERY. WILLIAM DELAFIELD COOK NEW PAINTINGS. October 2-31. 20 Cork Street, London, W.1. Mon.-Fri. 10-5.30. Sat. 10-12.30.

FINE ART SOCIETY, 148 New Bond St., W.1. 01-629 5116. GLASGOW 1900. Also EDWARD RAWDEN, Illustrator.

EXHIBITIONS

GOLDSMITHS' HALL. THE SCHRODER HERITAGE. An exhibition of Renaissance treasures at Goldsmiths' Hall, Foster Lane, E.C.2. Mon.-Fri. 10.15-5.00 until 26th. Admission free. Lecture by Dr. John Heywood, 23rd. Enquiries 606 8971.

LEGAL NOTICES

IN THE MATTER OF
THE COMPANIES ACT 1948
AND
ADVERTISING DATA LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 299 of the Companies Act 1948 that a GENERAL MEETING of the MEMBERS of the above-named Company will be held at Room 33 (First Floor), Clifford's Inn, Fetter Lane, EC4 in the City of London on Thursday the 22nd day of November 1979 at 11.30 a.m. to be followed at 11.45 a.m. by a GENERAL MEETING of the CREDITORS for the purpose of receiving an account of the Liquidator's Act and Dealings and of the conduct of the Winding-Up to date.

Dated this 15th day of October 1979.
R. E. FLOYD, Liquidator.

MOTOR CARS

ERRATUM

Investment Trusts Table published 19th October, 1979 Valuation Three — Monthly

Rivermoor Management Services Ltd. Moorside Trust. The Total Assets figure of 17.5 in Col. 1 should have shown that there had been a change in the prior charges since the previously published figure.

Banco Hispano Americano now present in Moscow

On October 17th, 1979, the Banco Hispano Americano's representative office in Moscow was officially inaugurated by Mr. Luis de Usera, Chairman.

As of June 30th, 1979 Banco Hispano Americano had total assets of over $14.8 billion and deposits in excess of $10 billion and its net worth of more than $688 million was held by nearly 175,000 shareholders. It operates a nation-wide network of more than 1,200 branches and has affiliates and subsidiaries throughout the country covering a very wide range of financial and banking services. Banco Hispano Americano plays an important role in the continuing growth and development of Spain's economy.

Internationally, the bank is present in 26 countries through its bank in London (Banco Urquijo Hispano Americano Limited), New York, Paris and Cayman Branches, and 16 representative offices and participations in foreign banks.

With the opening of the Moscow representative office, Banco Hispano Americano gains a foothold in one of the most important trade centres, providing further impetus to the Bank's expansion as it moves towards its centennial.

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NOTES

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BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
3S	3M	Treasury 9pc 1980‡‡	98¼	30.7	9.14	13.36
14S	14M	Treasury 9½pc '80‡‡	98¼xd	9.10	9.69	13.31
15O	15J	Treasury 3½pc '77-80	94½	9.5	3.70	12.49
15D	15J	Funding 5¼pc '78-80‡‡	95⅜	9.5	5.50	12.78
25M	25N	Exchequer 13pc 1980‡‡	100xd	18.4	13.00	13.06
15J	15Ja	Treasury 11½pc 1981‡‡	98⅛	8.6	11.72	13.06
15A	15F	Treasury 3½pc 1979-81	93	9.7	3.76	9.23
1O	1Ap	Treasury 9¾pc 1981‡‡	96⅛	28.8	10.14	12.74
12D	12J	Exch. 8¼pc 1981	93½	8.5	8.82	12.70
4F	4A	Exch. 9½pc 1981	95	28.6	10.00	12.65
21F	21A	Exch. 3pc 1981	90⅛	16.7	3.33	8.94
17M	17N	Treas. Variable '81§§	98xd	11.10	13.36	15.00
23M	23N	Exch. 12¾pc 1981‡‡	100⅛xd	17.10	12.73	12.70
15J	15Ja	Treas. 8½pc '80-82‡‡	92⅛	8.6	9.23	12.60
15A	15F	Treasury 3pc '82‡‡	88	9.7	3.41	8.82
16S	16M	Treasury 14pc '82‡‡	102⅝	10.8	13.64	12.69
15D	15J	Treas. Variable '82§§	96	9.5	14.44	15.71
5J	5Ju	Treasury 8¾pc '82	90⅝	1.6	9.10	12.40
22M	22S	Exch. 9¼pc 1982	91⅝	16.8	10.10	12.75
5Ju	5J	Exch. 8¾pc 1983	90⅝	1.6	9.66	12.34
21A	21F	Exch 3pc '83	82⅜	16.7	3.64	9.25
17S	17M	Treasury 12pc 1983‡‡	97⅝	13.8	12.29	12.87
24N	24M	Treas. Variable '83§§	94xd	18.10	14.02	16.11
18J	18Ju	Treasury 9¾pc '83	91	11.6	10.16	12.28
12J	12D	Exch. 10pc 1983	91⅛	8.5	10.97	12.79
15J	15Ja	Funding 5½pc '82-84‡‡	84	8.6	6.53	10.15
20A	20F	Exch. 11¼pc 1984	94¼	—	11.91	12.95
19O	19J	Exch. 3pc 1984	77¼	—	3.89	9.15
26M	26S	Treasury 12pc 1984	97	20.8	12.37	12.82
Five to Fifteen Years						
22M	22N	Exch. 12¼pc 1985	96½xd	16.10	12.56	12.86
10J	10Ju	Treasury 8½pc '84-86‡‡	89⅞	4.6	9.72	11.19
22J	22Ja	Exch. 13¼pc 1987	104	15.6	13.16	13.07
1N	1M	Funding 6½pc '85-87‡‡	79xd	25.9	8.21	10.59

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

30J	30J	FFI 13pc 1981	98¾	27	13.17	13.97
20J	20D	Do. 14pc '83	101¾	21.5	13.76	13.40
31 Mr	30 S	ICFC 5½pc Deb. '80-82	84	30.9	6.50	12.40
31My	30N	Do. 6¼pc Db. '81-84	78½	23.4	8.26	12.90
11J	11J	Do. 10½pc Uns.Ln. '86	92	4.6	11.79	13.10
11J	11J	Do. 11pc Uns.Ln. '88	94	4.6	12.24	12.00
11J	11J	Do. 11¾pc Uns.Ln. '90	96	4.6	12.72	13.10
30J	31D	Do. 7¼pc A Deb. '89-92	66	4.6	11.52	13.30
31Mr	30S	Do. 7¾pc A Db. '91-94	62	30.9	11.85	13.30
31Mr	30S	Do. 9pc 'A' '91-94	73	30.9	12.50	13.40
28F	31A	Do. 8⅞pc Ln. '92-97	72	16.7	12.68	13.20
—		Do. 12½pc Uns. Ln. 1992	96	13.8	13.94	14.30

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MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Messina R0.50	100	12.77	—	—	—

MISCELLANEOUS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Barymin	66	—	—	—	—
—		Burma Mines 17½p	13	575	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	310	2.7	Z030c	—	5.0
—		Northgate C$1	325	30.9	—	—	—
Jan.	July	R.T.Z.	298	6.5	†11.5	3.4	5.6
—		Robert Mines	17½	—	—	—	—
—		Sabina Inds. C$1	36	—	—	—	—
—		Tara Exptn. $1	555	—	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb.	Aug.	Buffels R1	$21⅛	2.1	Q200c	2.3	11.5
Aug.	Feb.	East Drie R1	$16¼	2.7	†Q135c	1.6	8.6
Aug.	Feb.	East Rand Prp. R1	$10	2.7	†Q10c	—	1.2
June	Dec.	F.S. Geduld 50c	$34½	30.10	Q420c	ϕ	15.4
June	Dec.	Pres. Brand 50c	£24	30.10	Q295c	ϕ	15.9
May	Nov.	St. Helena R1	£21½xd	8.10	Q300c	ϕ	16.9
Aug.	Feb.	Stilfontein 50c	950c	2.1	†Q66c	1.7	8.4
Aug.	Feb	Vaal Reefs 50c	$35¾	29.1	†Q280c	2.7	9.9
Feb.	Aug.	West Drie R1	$52¼	1.7	Q615c	1.5	0.7
June	Dec.	West Hldgs. 50c	$43½	25	Q645c	ϕ	19.4
Feb.	Aug.	Western Deep R2	$20¼	29.1	†Q142½c	2.1	0.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling or EEC currencies are quoted inclusive of the investment dollar premium.

- ∆ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ▲ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✠ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 17

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	27	......	Sindall (Wm.)	175	......
Bertam	18	......	**IRISH**		
Bdg'wtr. Est. 50p	430	......	Conv. 9% '80/82	£85⅞	......
Clover Croft	30	......	Nat. 9¾% 84/89	£72¾	+⅛
Craig & Rose £1	£10½	......	Fin. 13% 97/02	£80	......
Dyson (R. A.) A	28	......	Alliance Gas	62	......
Ellis & McHdy	130	......	Arnott	400	......
File Forge	40	......	Carroll (P.J.)	55	−1
Finlay Pkg. 5p	19xd	−½	Clondalkin	83xd	......
Graig Ship. £1	675	......	Concrete Prods.	79	−1
Higsons Brew	75	......	Heiton (Hldgs.)	75	......
Holt (Jos) 25p	255	......	Ins. Corp	212	......
I.O.M. Stm. £1	156	......	Irish Ropes	75	+2
Pearce (C. H.)	360	......	Jacob	50	−1
Peel Mills	30	......	T.M.G.	162	+2
Sheff. Refrshmt.	105	......	Unidare	90	......

OPTIONS

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[illegible]

FINANCIAL TIMES

Monday October 22 1979

Ministers to intensify defence of public spending curbs

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SENIOR MINISTERS will this week intensify their campaign of explaining and defending the Government's public expenditure proposals which are due to be published in 10 days' time.

The Labour Party will launch a major attack on the proposals in a Commons debate on Wednesday. This will be led by Mr. Roy Hattersley, the Shadow Environment spokesman, and Mr. John Biffen, the Chief Secretary to the Treasury, will lead the reply.

This will be followed a week later, on October 31, by the publication of a short White Paper, possibly of about 30 pages, on the plans for 1980-81, though not for later years.

The Government proposes to hold down the overall volume of expenditure in 1980-81 to roughly this year's level. However, this represents a reduction of about £4bn in real terms below the total for next year proposed by Labour last January.

Labour spokesmen will argue the new plans represent a savage attack on the welfare state; while ministers will say the changes are the necessary and inevitable result of Britain's immediate growth prospect and official monetary goals.

The detailed plans will show that spending on defence and law and order will rise by about 3 per cent in real terms between this year and next. In order to make room for these increases expenditure on the industry, employment, housing and environment budgets will decline, in contrast to Labour plans for a rise.

The White Paper will include a short prologue on the economic background to the decisions, though no medium-term projections will be included. The document will set out the meaning of these decisions for the planning total of spending with comparisons with previous proposals. There will also be a brief description of the implications for various major spending programmes.

This is only the first stage of the spending review and a longer and more detailed White Paper—more like the usual annual document—will be published about the turn of the year, probably in January, setting out the plans for the next four years.

The Cabinet will decide within the next few weeks both on Treasury proposals to hold expenditure constant in real terms until 1984 and on the parallel review of civil service manpower numbers and costs.

It is not yet clear whether the second White Paper will include an official economic assessment and possible medium-term financial plans.

This is one of a whole range of major decisions which Treasury ministers will have to take in the next couple of months and on which a great deal of work has still to be done.

Important debates are, for example, under way within the Treasury and the Bank of England about the appropriate level of public sector borrowing next year and about changes in the methods of monetary control.

Within the next few weeks, however, the Government will announce the rollover of its monetary target from next April to October. On November 20 the rate support grant settlement is due to be disclosed and at about the same time the Treasury's short-term economic forecasts will be published.

A decision is also imminent on the timing of the next stage of the dismantling of exchange controls. There are calls for further steps to be announced soon but the issue is still finely balanced with some officials urging delay for a few months.

BL cuts plan blocked by union

SANCTIONS TO prevent the rationalisation plans for BL proposed by Sir Michael Edwardes, the chairman, are being imposed by the Technical Administrative and Supervisory Section (TASS) of the Amalgamated Union of Engineering Workers.

Production drawings for the new car which BL wants to assemble in partnership with Honda, of Japan, are "no longer available," Mr. John Rowan, TASS national industrial officer, said last night.

Co-operation from TASS, which has about 5,000 members in key design and engineering areas, is crucial to the proposed closure of plants and transfer of work.

TASS is refusing to transfer design and planning work connected with the rationalisation strategy. That includes plans for the BL-Honda car which is to be assembled at Cowley, Oxford, rather than Triumph, Coventry.

A move by management to place up to £5m of design work on the proposed new middle range car, the LC10, with outside companies — mostly overseas — has been blocked.

Mr. Rowan said he was conscious such an action could delay the car but his union did not believe that on the funds allocated BL was serious about designing and building a British car. "It might be a middle-sized car for Honda, but that is something entirely different."

Mr. Rowan said if the ballot, the results of which are expected a week on Friday showed strong support for the plan, TASS would review its position.

The Transport and General Workers' Union had also dissociated itself from the decision by the Confederation of Shipbuilding and Engineering Unions strongly to recommend acceptance of the Edwardes plan.

Whatever the outcome of the ballot, Sir Michael plans to set up a steering committee to deal with the social consequences of redundancies on the scale planned.

BL has lost another top manager with the resignation of Mr. Peter McGrath, chairman and managing director of BL Components. He said last night that while he supported the Edwardes rationalisation plan, he disagreed fundamentally with organisational changes made within his company.

The new managing director of BL Components is Mr. John Neill, aged 32, who previously headed the BL Parts operation.

THE LEX COLUMN

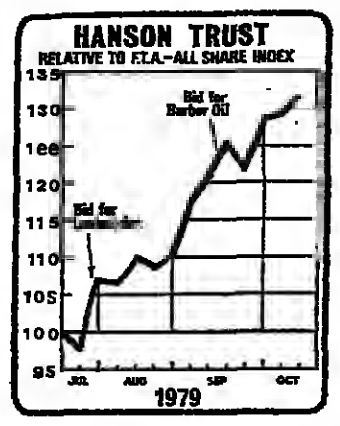
Widening London's issue horizons

When the United Kingdom first entered the EEC the London Stock Exchange was full of optimistic notions that London might become the capital raising centre of Europe. A wave of European investment trusts was set up, about the subsequent performance of which the least said the better. A few Continental companies, mainly French, came to London for a listing, but never were able to use London as a source of capital.

But now, at last, the crippling handicap of exchange controls has been virtually swept away—at least for investments within the EEC. And last week a Dutch company was bold enough to ignore its local bourse and come to the London Stock Exchange for a share placing and listing. Can it be that London, armed perhaps with a capital export role to balance the impact on the economy of North Sea oil, can now start to realise its hopes of regaining an international equity capital raising function?

In fact, while last week's financing exercise may have unsettled the odd Amsterdam banker or broker, it is unlikely to find many immediate imitators. The group concerned is Vitatron, which makes heart pacemakers. It is internationally oriented, and has previously drawn on the United States for capital, which provides some background to last week's development. But the main reason for this unprecedented step lies in the Amsterdam bourse itself. The number of domestic shares listed on the exchange has halved over the past five years and new equity issues have dried up.

Bond issues carry tax advantages in the Netherlands, and banks are prepared to accept a level of corporate gearing which would be unacceptable in the UK, so there is understandably little interest in share listings. Partly as a result of the inactivity, Dutch investors are reluctant to put their money into the equity of little-known companies.



Price appeal

In the case of Vitatron the Amsterdam banks were apparently unable to give assurances that the full amount would be placed. When it came to pricing, a prospective p/e of 4 was proposed, which compares with the 7.1 which the company has obtained in London.

Other Dutch companies are reported to be waiting in the wings to see how this listing goes—dealings are due to begin this morning—but it is likely to arouse little interest outside the U.K. and Holland. Share listings of small companies elsewhere in Europe are few and far between, usually for the very good reason that adequate finance can be obtained from banks. Coming to London could mean the disturbance of carefully cultivated relationships with those local banks, not to mention the possible relinquishing of equity control.

While the London market may have considerable placing power, it certainly has less experience in placing, say, deutschemark securities than the Frankfurt banks, and to many Continental companies it must appear perverse (even bewildering) to list shares in a market which operates in one currency when the balance sheet is denominated in another. This raises the question of accounting policies. It cannot be a coincidence that Vitatron comes from Holland, a country where accounting principles are probably closer to those of the UK than is the case for any other country in the EEC.

Listing costs in London are no lower than elsewhere in Europe (though less exorbitant than in New York) but the London market does have the advantage of being a better springboard for further international listings than Amsterdam or Milan, for instance.

In the end, it all depends on the attitudes of UK investors in general and the investment institutions in particular. If European companies can establish high ratings on the London market, a queue of capital-raisers will form surely enough. But Vitatron needs to establish a good precedent. Many UK investors sustained substantial capital losses on Dutch "glamour" stocks in the mid-1970s, and the memory lingers on strongly enough to suggest that many of them will be wary of the latest Dutch offering.

Hanson Trust

Since its £17m rights issue in the summer, Hanson Industries has spent £25m on Lindustries and provisionally agreed to pay another £70m for Barber Oil. These are big sums indeed for a company that was capitalised at less than £100m at the start of the year yet the stock market has reacted positively to the moves. Since the summer the Hanson share price has outperformed the market by close to a third.

The market's reaction to the Lindustries takeover is understandable enough. Lindustries was bought at a substantial discount to net assets and Hanson should be able to sort out the problems and earn much better returns. Hanson is particularly good at doing this sort of thing. However, the bid for Barber Oil is another matter.

It is far and away its biggest bid to date and unlike most of its takeovers Hanson is paying a hefty premium of roughly twice net asset value. This will throw up good will of £30m or so and will lead to a significant increase in the group's gearing. At the time of the Lindustries' bid, Hanson published a pro-forma balance sheet for the combined group showing net worth of £104.1m and net borrowings of £29m.

The offer of $61.50 cash per share values Barber at roughly 20 times historical earnings but the multiple probably rises considerably on prospective 1979 earnings. Despite its name, Barber Oil is more of a coal producer and shipowner than a glamorous oil company, and the bulk of Barber's business has not been doing particularly well this year.

The coal market is depressed, higher costs have hit the shipping operation and first half earnings of American Gilsonite (Barber owns half) are also lower. Of course the boom in energy prices will enhance the earnings of Barber's oil and gas interests but overall it seems pretty certain that the acquisition will not cover its financing costs of $20m plus annually.

It will be some months before the Barber deal is consummated and in the meantime the shipping operation may have to be hived off (for £20m, say) to comply with U.S. marine laws. On paper the deal looks expensive but Hanson obviously feels that it is now of a size that it can afford to do these sort of deals and as Sir James Hanson says, he is investing in "tomorrow's inflation-proof revenues."

Threat of ban on U.S. N-plants

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE PRESIDENTIAL commission investigating the Three-Mile Island nuclear accident may recommend a moratorium on the construction of nuclear plants in the U.S. pending implementation of new safety rules for the industry.

There were conflicting reports this weekend on what the commission, chaired by Mr. John Kemeny, president of Dartmouth College, would advocate. The commission is due to finish its executive session today and present its report to President Jimmy Carter towards the end of the month.

One report said the commission had narrowly voted in favour of the embargo on construction but was divided on the question of whether there should be a ban on the granting of operating licenses to plants under construction.

A commission official declined comment on this, but other sources said a final recommendation had not yet been agreed.

It is considered more certain that the commission will urge a radical strengthening of current Federal regulation over the nuclear industry, including a drastic restructuring of the Nuclear Regulatory Commission to improve surveillance over operational safety procedures.

Mr. Kemeny's commission has no statutory power: President Carter is in no way bound by its conclusions and any attempt to impose a moratorium would have to be legislated by Congress. But it is widely agreed that its findings will be a seminal contribution to the National Debate on nuclear safety.

The NRC currently has before it applications to build 14 reactors, while 55 are in various stages of construction.

Consumers' rights review

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A REVIEW of the 1973 Fair Trading Act, the main consumer protection legislation in the UK, will shortly be carried out by the Government.

Changes likely to be considered include reducing the impact of consumer protection legislation on small traders. The Consumer Protection Advisory Committee, dormant for the past two years, may also be scrapped.

A consultation document will shortly be privately circulated by the Department of Trade to interested organisations.

The review is seen in Whitehall as consolidating the operations of the Act—brought in by the last Conservative Government—rather than challenging its basic structure. A similar review was started by the Labour Government earlier this year but was ended by the general election.

The main issue likely to emerge is how far the Act has given consumers too much power in dealing with small traders ignorant of the law.

Mrs. Sally Oppenheim, Consumer Affairs Minister, last week told a London trade conference it can "seem too harsh to impose the same criminal penalties on the small trader who, while basically honest, may not be very well informed."

The Retail Consortium, representing over 90 per cent of British retailers, has taken up this theme. Lord Peart, the consortium's new chairman, has written to Mrs. Oppenheim saying "retailers have for some time felt the burden of consumer protection legislation is becoming intolerable."

In particular, Lord Peart suggests criminal law is not the best means of controlling such areas as food regulations and dual pricing. The consortium would favour instead much tougher codes of practice to be negotiated between trade associations and the Office of Fair Trading.

The review's most likely casualty appears to be The Consumer Protection Advisory Committee whose job it is to evaluate proposed new criminal offences designed to protect consumers against unfair trading practices. The committee's last report on prices being marked exclusive of VAT, was finished in May, 1977. Since then it has remained inactive.

Although the review could reduce the small trader's liability for criminal prosecution, it could also strengthen the consumers' position regarding civil action by, for example, making it easier for group actions by consumers to be taken against rogue traders.

The consultation period of the review is likely to take at least three months to complete, if not longer. No early legislation, therefore, is planned but a short Bill could be introduced into the next Parliamentary session.

Leasing may face tax change

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE INLAND REVENUE has indicated that it might consider a fundamental change in the application of tax allowances for leased assets.

It has told the accountancy bodies that a new accounting standard, which required leased assets to be taken into lessee companies' balance sheets, would be "a factor to be taken into account in any review of tax law."

At present, the 100 per cent capital allowances attributable to equipment which is leased go to the lessor—normally a finance house subsidiary of a bank—rather than the user of the asset.

This has contributed to an unprecedented boom in leasing business over the past two years, because it has allowed companies with taxable profits to "shelter" their liabilities by providing lease finance.

The Revenue statement has arisen because the accountancy profession's Accounting Standards Committee is shortly proposing to publish a draft accounting standard, which would require companies to recognise the substance of lease transactions, rather than their legal form.

This would involve "capitalisation" of leased assets in company accounts — something to which the finance houses are strongly opposed.

Before publishing their proposals, the accounting bodies asked the Revenue to confirm that publication of an accounting standard would not, by itself, lead to any change in practice, or to any change in the law governing leasing.

Mr. A. Dalton, deputy chairman of the Board of Inland Revenue, recently replied that he was happy to provide the assurances sought.

He went on to say however: "I should perhaps add, though no doubt the point is obvious to the Consultative Committee of Accountancy Bodies, that while the Revenue would not as a general rule regard the accounting standard as of itself a reason to seek a change in the present tax law it would, of course, regard the standard accounting practice as reflected in a SSAP as a factor to be taken into account in any review of tax law."

Leasing specialists say that a change in the allocation of capital allowances on leased assets to lessees would cause a major upset in the market. Its impact would be particularly dramatic on banks and finance houses, which have not been making full provision for eventual payment of taxes sheltered through leasing.

Lex Column

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Oil supply

In practice, however, Saudi opposition and the short time lag before the regular conference makes the holding of an extraordinary session unlikely.

Mr. Moinfar also strenuously denied reports of a fall in Iranian production and exports, describing them as a fabrication by international oil companies to justify the imposition of higher prices on consumers.

In another development Iraq has invited the leaders of all OPEC member states to a meeting to discuss ways of establishing a "new world economic order" giving equality and justice to developing countries.

James Buxton reports from Muscat: Oman intends to raise the price of its crude by 10 per cent for the fourth quarter of this year.

The new price of $24.20 per barrel would be above the upper price limit of $23.50 set by OPEC for the second half of 1979. As yet only Libya has broken it.

Oman, a small producer which is expected to export just under 300,000 b/d this year, is not a member of OPEC, although up to now it has followed its price decisions.

Mr. Ahmed Shanfari, the Petroleum Minister, told the Financial Times yesterday that Oman would notify its customers of the increase in the next few days. It was waiting for more OPEC members to raise their prices, he said.

The biggest customer for Oman's 34 degrees API crude is Shell, which manages the only producing oil company, Petroleum

Bill lays new rules for NEB

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

POWERS for the Government to sell off factories operated by the English Industrial Estates Corporation are to be contained in an Industry Bill which Sir Keith Joseph, Industry Secretary, is expected to publish tomorrow.

The Bill's main purpose is to lay down new statutory rules for the National Enterprise Board. It will also contain some regional measures.

The Estates Corporation is responsible for administering 27m square feet of industrial floor space in the assisted regions of the country for the Industry Department. Sir Keith, as part of his review of the Department's expenditure, has been examining whether its financial arrangements could be changed.

Now, once the Bill becomes law, he will have the power to sell off factories where the Department can find buyers. This follows earlier plans announced by the Government for disposing of new towns property and other assets.

At present the Estates Corporation's factories house 550 tenants employing 83,000 people.

On the National Enterprise Board, the Bill will lay down new operating rules. These will require the Board to sell off assets as part of its normal operations, and to maximise private sector investment in its companies.

Its long-term borrowing powers will be restricted to £3bn instead of the ceiling of £4.5bn provided for by the last Government.

But details of its spending allocation for the coming year, which is to be cut by about £50m, will not be officially announced until the Government's public spending White Paper is published next week.

Negotiations are also still in progress between Sir Keith Joseph and the Board about the details of the NEB's target financial returns and operating guidelines.

£2m. Japanese project in Wales

BY OUR INDUSTRIAL EDITOR

A £2M industrial investment in South Wales by a Japanese audio manufacturer is to be announced today to coincide with the start of a week-long visit to Japan by Lord Trenchard, Minister of State for Industry.

The investment is being backed by the Government with £200,000 selective regional aid, on top of automatic grants. The Welsh Development Agency is providing the factory premises.

The project is the first from Japan since the Government took office. It will be quoted by Lord Trenchard during meetings with electronics and other companies, such as Matsushita, Mitsubishi, Honda and Hitachi.

He intends to show that Japanese investment is welcomed in the UK.

But he will stress that the Government does not believe it should go out of its way to choose which potential investors to back.

"It's not our job to choose industries, but we will advise companies how the overall economic situation looks from the Government's point of view," he said, as he left London at the weekend.

"The only area where the Government still has to make a judgment is where there is a request for selective aid."

Lord Trenchard aims to explain that the Government does not believe in intervention in industry and so is not interested in being asked for its view on every potential investment.

But it does recognise the need for the UK to bid against other countries for what are known as "internationally mobile" investments. It is therefore prepared to consider offering selective aid and other help through its Invest in Britain Bureau and other agencies.

Lord Trenchard said he would also express the hope that Japanese companies would consider setting up partnerships with UK companies, as well as investing on their own.

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Times

lines of Times and Thomson Organisation directors, and discussions with print union general secretaries.

NGA officials said they had secured a pay rate in the composing room of £227.50 a week from next April, compared with the £204 a week first offered, in response to their demand for a "common craft rate" of £250.

This money will be paid as men gradually transfer from hot-metal Linotype machines to computer keyboards, a process expected to start almost immediately but take about two years to complete. About 40 per cent of composing room jobs will become redundant.

NGA officials said this new rate, in return for longer hours and loss of some overtime pay, restored their skill differential over NATSOPA members.

NGA men working Saturday night shifts to produce the Sunday Times have won a rate of £90, compared with the £67 a night agreed with NATSOPA machine assistants, but with no manning reduction yet. NATSOPA have given up 17 per cent.

A bonus of four weeks' pay will be given to all staff who return to work this week. The unions have promised there will be no unofficial stoppages as a result of anomalies created by the return to work deals.

The adjudication panel on manning will consist of three from the NGA and three from The Times management. Mr. Mortimer will have a casting vote and his decision will be treated as final.

Mr. Gordon Brunton, chief executive of Thomson British Holdings, said the cost of suspension had been about £30m. The papers should be profitable "in the medium to long term." But he warned that Fleet Street was in for a "brutal" year generally because of inflation, no growth in the economy, and "high wage awards without productivity."

Reports that the papers would re-start in mid-November might be optimistic, he said, because of the deterioration of machinery.

Weather

UK TODAY

EASTERN parts dry with sunny periods but West becoming cloudy with perhaps rain later.

S.E. England, S. England, Channel Isles

Rather cloudy, perhaps rain later. Max. 14C (57F).

E. England, E. Scotland

Dry, sunny periods. Max. 13C (55F).

Midlands, N.W., Cent. N. England, W. Scotland, Cent. Highlands

Bright intervals becoming cloudy with perhaps rain later.

S.W. England, Wales, I. of Man, N. Ireland

Cloudy, occasional light rain. Brighter later. Max. 14C (57F).

Orkney, Shetland, N.E. Scotland

Dry with sunny periods but coastal fog patches. Max. 10C (50F).

Outlook: England and Wales becoming mainly dry. Scotland and N. Ireland changeable with showers.

WORLDWIDE

Ajaccio	S	20	68	Lisbon	C	18	64
Amsdm.	S	13	55	Locarno	C	14	57
Athens	F	18	64	London	F	14	57
Bahrain	S	32	90	Luxmbg.	F	11	52
Barclna.	F	10	50	Madrid	C	20	68
Beirut	S	28	82	Majorca	F	24	75
Belfast	F	13	55	Malaga	C	21	70
Belgrd.	S	14	57	Malta	F	21	70
Berlin	S	10	50	M'chstr.	S	13	55
Biarritz	F	20	68	Melbne.	C	26	79
Bmghm.	F	12	54	Milan	C	14	57
Blackpl.	S	13	55	Mntreal.	S	18	67
Bordx.	S	20	68	Moscow	C	9	48
Boulgn.	F	12	54	Munich	C	11	52
Bristol	S	13	55	Nairobi	S	20	68
Brussels	C	10	50	Naples	F	19	66
Budpst.	S	18	81	Nwcstl.	S	10	50
Cairo	S	32	90	N. York	S	20	68
Cardiff	S	11	52	Nice	F	20	68
Cas'b'ca	F	21	70	Oporto	S	20	68
Cape T.	C	16	61	Oslo	S	10	50
Chicago	S	25	75	Paris	F	13	55
Cpnhgn.	F	10	50	Perth	S	17	63
Cologne	F	13	55	Prague	F	9	48
Corfu	S	22	72	Rykjvk.	C	9	48
Dublin	S	13	55	Rhodes	R	19	66
Dbrvnk.	S	17	63	Rio J'o	R	24	75
Ednbgh.	S	10	50	Rome	F	21	70
Faro	R	18	64	Salzbrg.	F	12	54
Florence	F	15	59	Singapr.	R	30	85
Funchal	S	21	70	Stckhm.	S	8	46
Frankft.	F	13	55	Strasbg.	C	8	46
Geneva	C	14	57	Sydney	S	23	73
Gibrltr.	C	22	72	Tangier	C	20	68
Glasgow	S	10	50	Tehran	S	21	70
G'rnsey	C	14	57	Tenerife	F	21	70
Helsinki	C	7	45	Tokyo	S	23	74
H. Kong	S	27	82	Toronto	S	23	74
Innsbrk.	F	14	57	Tunis	S	22	72
Invrnss.	S	12	54	Valencia	C	21	70
Istanbul	C	15	59	Venice	F	16	61
Jersey	F	13	55	Vienna	S	14	57
Jo'burg	R	20	68	Warsaw	F	11	52
L. Plms.	F	22	72	Zurich	C	11	52

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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